

**SOUTHFIELD PUBLIC SCHOOLS**

**Southfield, Michigan**

**COMPREHENSIVE  
ANNUAL FINANCIAL  
REPORT**

**For the Fiscal Year Ended June 30, 2007**

# Southfield Public Schools

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# Southfield Public Schools

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## **Introductory Section**

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**BOARD OF EDUCATION**

Karen L. Miller, *President*  
James V. Jackson, *Vice-President*  
Darryle J. Buchanan, *Secretary*  
Fern Katz, *Treasurer*  
Margaret L. Hall, *Trustee*  
Rudy Hobbs, Jr., *Trustee*  
Connie R. Williams, *Trustee*

[www.southfield.k12.mi.us](http://www.southfield.k12.mi.us)

**ADMINISTRATION**

Dr. Wanda Cook-Robinson  
*Superintendent*  
Dr. Kenson Siver  
*Deputy Superintendent*

Mark Rajter  
*Associate Superintendent*  
Gail Wilson  
*Associate Superintendent*  
Lynda Wood  
*Associate Superintendent*

JWE Administrative Center · 24661 Lahser Road · Southfield MI 48033 · Phone 248.746.8500 · Fax 248.746.8540

# SOUTHFIELD PUBLIC SCHOOLS

October 31, 2007

To the Citizens and Board Members:

The Comprehensive Annual Financial Report of Southfield Public Schools (the "School District") for the fiscal year ended June 30, 2007 is hereby submitted. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the School District's administration. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds of the School District and the School District as a whole. All disclosures necessary to enable the reader to gain an understanding of the School District's financial activities have been included.

The Comprehensive Annual Financial Report is presented in three sections: introductory, financial, and statistical. The introductory section includes this transmittal letter, the School District's organizational chart, and prior year recognition for excellence in financial reporting. The financial section includes management's discussion and analysis, the government-wide and fund financial statements, notes to the financial statements, required supplemental information, the combining and individual fund statements and schedules, as well as the auditor's report on the financial statements and schedules. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis.

The management's discussion and analysis provides an overview and analysis of the School District's basic financial statements and should be read in conjunction with the financial statements.

This report includes all funds of the School District. The School District provides a general education for pre-kindergarten through grade 12 students and additional educational programs including special education, vocational education, English as a Second Language (ESL), and Talented and Gifted (TAG).

## **The School District - Reporting Entity**

Southfield Public Schools, located in the southeast corner of Oakland County, bordered by the cities of Detroit, Oak Park, Farmington, and Berkley, serves approximately 9,400 students from the cities of Southfield and Lathrup Village. The School District employs approximately 1,300 teachers and support staff. Facilities include 10 elementary schools, one K-8 school, three middle schools, two large high schools, one alternative high school, and the John W. English Administrative Center. Southfield Public Schools is an independent governmental entity, established under Michigan law. A seven-member, elected Board of Education governs the School District.

## **Economic Condition and Outlook**

The School District is one of 28 school districts located in Oakland County, Michigan, one of the wealthiest counties in the United States. The Southfield and Lathrup Village communities are a blend of suburban and urban landscapes - wooded subdivisions with large ranch-style homes, working-class subdivisions with smaller homes on small lots, strip malls, high-rise apartments, and towering business complexes. The business environment of the city is strong with over 100 Fortune 500 companies represented (several of which maintain worldwide headquarters in Southfield), and during the day the population of Southfield swells from a residential population of 78,000 to a workforce population of 250,000.

## **Leadership Transition**

After several years of transitioning leadership on the Board of Education and upper administration ranks, the School District has come into a period of stability. Trustee Karen Miller ran unopposed in the spring of 2006 for another term on the School Board. For the first time in several years, the membership of the Board of Education has remained the same.

Dr. Wanda Cook-Robinson was appointed Superintendent of Southfield Public Schools in July 2006 following a national search for a new superintendent. In March of that year, the Board of Education had appointed her Interim Superintendent. Dr. Cook-Robinson joined the School District in 2004 as Associate Superintendent for Instruction. Prior to coming to Southfield, she was Assistant Superintendent for Student Performance with the Oakland Intermediate School District (OISD). She held a variety of leadership positions with the OISD from 1986 through 2004. Dr. Cook-Robinson has lived in Southfield for over 20 years and has been active in numerous civic, professional, and university organizations.

Supervisor of Instruction, Lynda Wood, was named Associate Superintendent for Instruction to fill Dr. Cook-Robinson's former position. A recipient of the National Science Foundation Presidential Award for Excellence in Science and Math, Ms. Wood has been with Southfield Public Schools since 1995.

## **Curriculum and Instruction**

The Division of Instruction launched a district-wide curriculum writing initiative to review and revise the K-12 mathematics, English language arts, science, social studies, and career and technical education programs. The first stage of the District K-12 curriculum writing process, completed during the 2005-2006 school year, developed unit plans aligned to the new grade level expectations, high school content expectations, and "*Understanding by Design*" a curriculum-writing model.

During the 2006-2007 school year, the Office of Mathematics implemented district-wide quarterly common assessments in algebra. The data from this assessment, in addition to other assessment data (MEAP/Check Ups) was used to plan professional development. K-12 teachers received professional development training in "Instructional Strategies", "Assessment Strategies", "MEAP", "MME Strategies" and "Everyday Mathematics". The Office of Mathematics also provided a series of workshops to elementary teachers entitled "The Teaching and Learning Series." These workshops provided teachers both content and pedagogical training in the areas of Algebra, Geometry, and Data Analysis and Probability.

The School District implemented the Three Tier/Response to Intervention Model at the elementary level. This model involves the dual application of quality instruction and continuous monitoring of students who appear to be at risk academically and behaviorally. This model has proven during the first year of implementation to be effective at reducing the number of special education referrals.

We now have three magnet ESL/Bilingual schools in our district. In an effort to provide improved rigor, consistency, and best practice, our elementary, middle, and high school English Language Learners will be housed in an appropriate socio-cultural environment that is academically and cognitively challenging. Therefore, Vandenberg Elementary School, Thompson Middle School, and Southfield-Lathrup High School will serve all of our ESL/Bilingual students.

The implementation of the Southfield Public Schools curriculum is continually supported by district and building level professional development along with monitoring by building principals and central office supervisors to ensure appropriate instruction and equitable access to the curriculum for all students.

### **Summer School**

Southfield Public Schools offered a variety of learning opportunities during the summer of 2007. Each learning experience was designed to enhance knowledge and skills learning during the school year, develop new skill sets, and extend learning into a real world environment. Programming included two mini-camps experiences for students in grades 3-7 and enrichment programs for students at all levels.

Adler Elementary School and Southfield High School were home to the elementary summer programs for students in kindergarten through fifth grade. Youngsters were able to participate in week-long high-tech science adventures through space in the NASA Exploration Mini-Camp held at Southfield's Engineering Academy. The Early Literacy Academy and Elementary Literacy and Math Program at Adler provided highly individualized literacy-based opportunities for children entering kindergarten through fifth grade. The Trailblazer Summer Camp provided fun-filled, interactive educational and recreational activities, enabling them to progress at their own individual levels and at the same time expand their creative side.

Middle school students in grades 6 through 8 were able to meet and master academic credit requirements in mathematics, language arts, social studies, and science by attending the Middle School Summer Program at the Southfield Regional Academic Campus. The School District also collaborated with the University of Michigan to offer interactive pre-college experiences in the afternoon by providing field trips to the Dearborn campus for student participants.



Summer programming at the high school level provided students an opportunity to meet academic requirements for grade level status or graduation. Two sessions of the following summer courses were offered at Southfield Lathrup High School:

Algebra I	Chemistry in the Community	General/Physical Science
Algebra II	Civics	Geometry
Algebra Prep	Critical Thinking	Global Issues
American History	Economics	Grammar for College
American Government	English 9/10	PE/Health
Biology	English 11/12	Spanish

All of the summer instructional programs were staffed by highly trained certified classroom teachers, provided intensive classroom work, and practice work to be completed at home.

### **PA 25 Specialized Schools/Choice Program**

Southfield Public Schools offers specialized programs that provide students and parents with choices to meet their needs. Programs include:

- **The Bussey Preschool** - All Bussey programs including Head Start and Jump Start are accredited by the National Association for the Education of Young Children and licensed by Michigan's Family Independence Agency.
- **Southfield Regional Academic Campus** - This campus houses the Transition Academy and the LEAP Advantage Program. The Transition Academy is for students who were ninth grade students last year and were not successful in the traditional high school setting. Students will be able to recover credit through traditional classroom methods and with the use of an online credit recovery system. When students are academically ready, they can proceed back to their traditional high school or may choose to go into our LEAP Advantage Program.

The LEAP Advantage program is designed for 16- to 19-year-old students who have fallen behind in the credits needed for high school graduation. LEAP classes are offered in the morning, afternoon, and evening.

- **Career and Technical Education** - Southfield Public Schools offers many career and technical education courses for high school students. These courses provide students with learning opportunities in a real world context and reinforce the knowledge they have acquired from their academic course work. Students also gain skills relevant to their success in their post-secondary endeavors.

- **High School Academy Programs** - The School District currently offers four high school academy programs. Each program provides an academic enrichment opportunity that operates as a school-within-a-school. A restructuring plan of the academies was developed last year and will be fully implemented for the 2007-2008 school year. All students grade 9 through 12 will be invited to join an academy and participate in coursework and activities particular to that academy. An addition to the current four academies will be the Human Services Academy. This academy will be implemented in the 2007-2008 school year.

Academy courses are organized around a professional career theme with a focus on authentic academic achievement. Students participating in an academy meet both the requirements for entrance into post-secondary institution and industry standards for entry into the career field. A summer internship program is available to students with our school partners.

The academy programs are:

- **The Engineering and Manufacturing Sciences Academy** - Students in this program are provided state-of-the-art learning opportunities integrating math, science, and technology. There are numerous activities that accompany strands of the academy including NASA Explorer School projects and robotics competitions.
- **Global Business and Information Technology Academy** - Students receive a comprehensive business education in order to pursue post-secondary education and a business career in global society. Various entrepreneurial and competition opportunities are provided as well.
- **Arts and Communications Academy** - Students develop and demonstrate their talents and appreciation of the arts in preparation for post-secondary education and lifelong enrichment. Besides music and art, the academy includes dance, drama, and video broadcasting.
- **Medical and Natural Sciences Academy** - Students prepare to pursue post-secondary education leading to a full range of careers in medical and science-related fields.
- **Human Services Academy** - Students will have the opportunity to study coursework that relates to occupations in childcare, civil service, safety, education, food service, and social services.

## Technology

In the realm of technology, advances were made in the training options, data systems, infrastructure updates, and productivity tools.

Throughout the 2006-2007 school year, a primary focus of this department was curriculum writing and data collection. Teachers were instructed in the use of Benchmark and Inform. They learned to view and analyze scores in Benchmark and Inform. Teachers spent time writing units and lessons following the Understanding by Design (UbD) format that are aligned to state standards and incorporate technology in lessons and units of study.

This office purchased Soundzabound; this subscription allows teachers and students to legally use copyrighted music for podcasts, websites, and/or presentations. The use of any portion of music without first obtaining permission is a violation of copyright laws of the United States (U.S. Copyright Office, FL - 102 revised 2006). This is a perpetual license and will not need to be renewed.

Workshops were also provided to help teachers make use of SmartBoard Technology. Through workshops teachers learn to develop interactive lessons using this technology. Teachers also learned to include video through the use of United Streaming, which allows teachers to present information in a highly interactive and engaging way.

In elementary classrooms, teachers learned to use handheld technology to improve mathematics, spelling, and writing. This technology allows teachers to construct highly engaging lessons whereby students write stories and beam their writing to other students, who proofread their writing. In math, students used handheld technology to solve problems and beam problems for other students to check.

Through teacher-made websites using the SchoolCenter server and subscription, teachers are able to keep parents up to date with assignments and upcoming projects. Several teachers also learned to create classroom blogs and podcasts to communicate with students and parents.

## **Staff Development**

**Career and Technical Education** - All of the Southfield Public Schools Career and Technical Education (CTE) courses were aligned with the new state standards on student performance outcomes. CTE staff worked with a consultant from Oakland Schools for two days during the spring to identify where they teach a particular outcome, evaluate the gap analysis with the program, and to show evidence of the teaching of a particular outcome.

**Service Learning** - Southfield Public School staff that participated in Service Learning projects were given information on how to utilize the components of a Service Learning project. SPS staff was shown how to prepare for a project, develop an action plan, implement the action plan, and assess the project during the reflection phase. The linkages to content standards were discussed and ideas shared on how to construct a project within their school buildings.

**Middle School Language Arts** - A three-day summer institute for middle school language arts teachers was held at the end of the school year. Teachers were provided with learning experiences to deepen their knowledge of strategies to enhance student comprehension.

**Elementary Language Arts** - A series of workshops were developed for elementary teachers focused on instructional best practices to enhance student writing.

**Secondary Mathematics** - An algebra series, "Lenses on Learning," focused on providing teachers with content and pedagogy in algebra. Assessment strategies professional development focused on maximizing student achievement as measured by the MME for grades 6-12. Additionally, Southfield Schools offered teachers professional development on instructional strategies that reviewed the research of Robert Marzano and Marsha Tate to provide teachers with research-based instructional strategies.

**Elementary Mathematics** - A series for elementary teachers that focused on selected math strands was designed for teachers in grades 3-5 that focused on algebra, geometry, and data analysis and probability.

**College Board Springboard Training** - Mathematics and English language arts teachers at the middle school level received a week-long training on instructional best practices that were developed by the College Board for middle school instruction.

## **2002 Bond Issue Construction Summary**

The 2002 Bond Issue provides over \$98 million in building and site improvements for Southfield school facilities. Beginning in the summer of 2003, construction includes rebuilding approximately two-thirds of Southfield High School and facility renewal work at almost all schools. Facility renewal consists of asbestos removal, replacement of classroom heating and ventilation systems, lighting, electrical service, ceilings and some flooring, plus painting and miscellaneous upgrades. Additionally, the bond issue provided new athletic fields at the high schools and roof repairs or replacements at the schools where needed.

## **Building Construction Summary 2006-2007**

As the bond work entered its fourth year, construction began to focus on final projects. Facility renewal work concluded at Birney Middle School and Brace-Lederle K-8 School in the fall of 2006. Major projects for the year were the construction of Phase III of Southfield High School which included the facility renewal of A House and the construction of a new cafeteria (student commons) and central district kitchen, field house, locker rooms, and loading dock. In September 2006, the School District reopened B House and opened the new D (Technology) and C (Science) wings.

Additionally, MacArthur Elementary School was closed for the year to allow for extensive asbestos abatement and facility renewal. MacArthur students were relocated to Eisenhower and Magnolia Schools.

And, finally, the School District was in the fortunate position of being able to add additional bond work due to extra bond interest earnings and bid savings. Projects added to the bond program in 2006-2007 were replacement and expansion of the floor in the dance studio at Southfield-Lathrup High School, stripping and painting door and window frames at McIntyre Elementary School, and the replacement of the roof at the Bussey Early Childhood Center.

The following is a building-by-building status report on district bond construction projects for the 2006-2007 school year. Work concluded on most schools with the exception of Southfield High School and MacArthur Elementary School.

**Adler** - Phase I done over summer 2004; Phase II, summer, 2005 - COMPLETE

**Birney** - Phase I began in December 2004; work continued in additional phases throughout 2005 and 2006; work concluded in fall 2006 - COMPLETE

**Brace-Lederle** - Phase I began in fall 2004; work continued in additional phases throughout 2005 and 2006; work concluded in fall 2006 - COMPLETE

**Bussey** - Work on this school limited to a few projects; roof replacement in summer 2006

**Eisenhower** - Work completed by summer 2004 - COMPLETE

**Kennedy** - Work completed by summer 2004 - COMPLETE

**Leonhard** - Work completed by summer 2004 - COMPLETE

**Levey** - Work concluded in the fall of 2005 - COMPLETE

**MacArthur** - Contracts awarded in spring 2006 for facility renewal; work to conclude in summer, 2007

**McIntyre** - Phase I done over summer 2004; Phase II, summer 2005; Phase III finished in summer, 2006 - COMPLETE

**Schoenhals** - Work completed by summer 2004 - COMPLETE

**SHS** - Construction of two new classroom wings began in 2004; the expansion and remodeling of B House began in late summer 2004; some students in TIFs for two years. Phase II was completed in March 2006. Students moved into D/Technology Wing in April 2006. Construction of Phase III began in May 2006. Students moved into C Wing in September 2007.

**S-LHS** - Roofing replacements and facility renewal work completed in 2004-2005; new loading dock and tennis courts completed in fall 2005 - COMPLETE

**SRAC** - Work completed in August 2004 - COMPLETE

**Stevenson** - Phase I done over summer 2004; Phase II, summer 2005 - COMPLETE

**Thompson** - Work concluded in the fall 2005 - COMPLETE

**Vandenberg** - Work completed in December 2004 - COMPLETE

### **School Finance**

Southfield Public Schools is funded by a combination of state financial aid and property taxes collected from the taxpayers of the City of Southfield, Lathrup Village, and Southfield Township. The School District's tax base is primarily made up of commercial and industrial properties. The School District is experiencing light residential growth.

The passage of Proposal A in March 1994 completely restructured school finance in Michigan and forever changed Southfield Public Schools' fiscal future. The School District's ability to raise revenue locally is now capped and state revenue (now a major revenue source) is likewise limited in its future growth. Significant revenue growth will occur only as a result of enrollment increases since dollars are now tied to each student. Of course, a decline in enrollment will represent a corresponding decline in revenue.

A detailed discussion of financial results can be found in the management's discussion and analysis in the financial section of this report.

**Budget Controls** - The State of Michigan adopted the Uniform Budgeting and Accounting Act applicable to all local governmental entities in the state. The law requires appropriation acts to be adopted for the General Fund, Special Revenue Funds, and Debt Funds of school districts prior to the expenditure of monies in a fiscal year. The School District can make amendments to the budget at any time during the year with approval by the Board of Education. The Board of Education adopts appropriation acts utilizing the modified accrual basis of accounting for all governmental funds.

The appropriation level adopted by the board is the level of control authorized under the Act. A district is considered to be in violation of the Act if actual expenditures at the level adopted by the board exceed the amount budgeted.

**Internal Controls** - The School District is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the School District are protected from loss, theft, or misuse and that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with accounting principles generally accepted in the United States of America. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived and (2) the valuation of costs and benefits requires estimates and judgments by management.

**District Cash Management** - Guidelines are established by board policy. It is the intent of Southfield Public Schools to maximize its interest earnings on available cash balance. Interest-bearing checking accounts, cash management accounts, U.S. Treasury obligations, certificates of deposit in state or national banks and savings and loan associations, corporate bonds, and commercial paper were utilized in accordance with board policy for investment of available funds.

**Risk Management** - The School District's risk management consists of liability and property coverage in the Middle Cities Risk Management Trust. Furthermore, the School District participated in a self-insurance program for workers' compensation with Metropolitan Association for Improved School Legislation (MAISL) Workers' Compensation Fund.

### **ASBO Certificate of Excellence**

The Association of School Business Officials (ASBO) awarded a Certificate of Excellence in Financial Reporting to the School District for its Comprehensive Annual Financial Report for the year ended June 30, 2006. The Certificate of Excellence in Financial Reporting certifies that the recipient school system has presented its Comprehensive Annual Financial Report to the ASBO Panel of Review for critical review and evaluation and that the report was judged to have been compiled with the principles and practices of financial reporting recognized by ASBO. The Certificate of Excellence in Financial Reporting is valid for a period of one year only. The School District has been awarded the certificates for 24 consecutive years. We believe that our current Comprehensive Annual Financial Report continues to meet the Certificate of Excellence Program requirements and we are submitting it to ASBO to determine its eligibility for the certificate.

This is an achievement that is a great source of pride to the School District's administration and a tribute to the support given by the board in adopting and demanding a standard of excellence in financial reporting. Publication of this ASBO report completes the financial reporting program for the 2006 fiscal year.

### **Independent Audit**

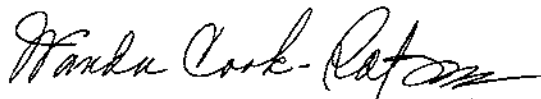
State statutes require an annual audit by independent certified public accountants. The accounting firm of Plante & Moran, PLLC was selected by the school board. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the Federal Single Audit Act and regulated OMB Circular A-133. The auditor's report on the general purpose financial statements is included in the financial section of this report. The additional reports required by the Single Audit Act and related OMB Circular A-133 have not been included and are issued under separate cover.

### **Acknowledgements**

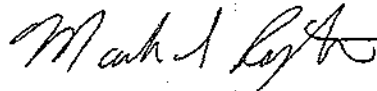
We thank the board for your continued guidance and support throughout this past year and commend the personnel of the finance department and the administrative staff for their efforts resulting in this report.

Copies of this report are available for public distribution upon request through the Southfield Public Schools business office at (248) 746-8513.

Sincerely,



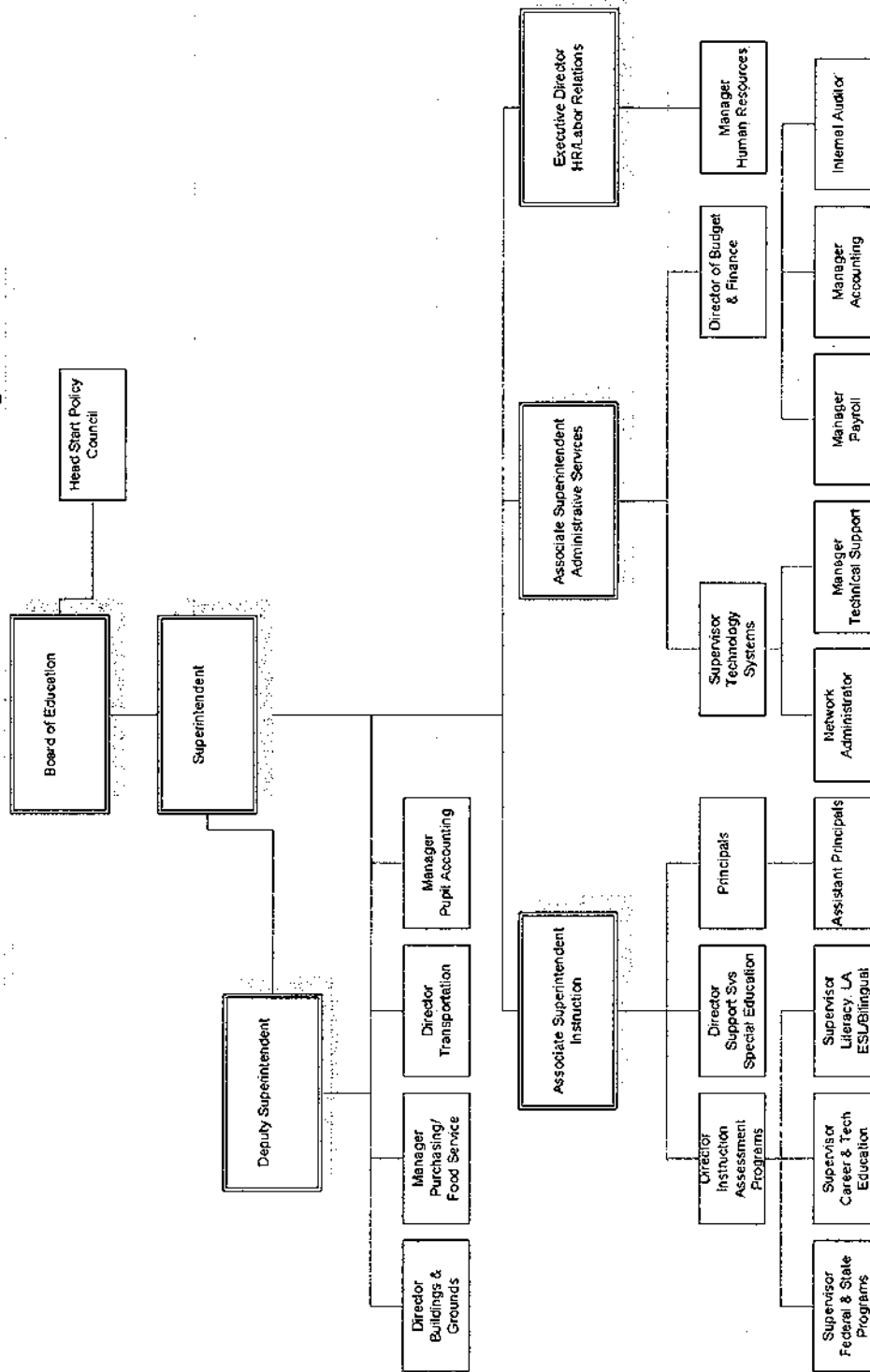
Wanda Cook-Robinson, Ph.D.  
Superintendent of Schools



Mark S. Rajter  
Associate Superintendent of Administrative  
Services

# Southfield Public Schools 2006-2007

## Organizational Chart





ASSOCIATION OF SCHOOL BUSINESS OFFICIALS  
INTERNATIONAL



This Certificate of Excellence in Financial Reporting is presented to

**SOUTHFIELD PUBLIC SCHOOLS**

**For its Comprehensive Annual Financial Report (CAFR)**  
For the Fiscal Year Ended June 30, 2006

Upon recommendation of the Association's Panel of Review which has judged that the Report substantially conforms to principles and standards of ASBO's Certificate of Excellence Program

A handwritten signature in dark ink, appearing to read 'John D. McQuinn'.

President

A handwritten signature in dark ink, appearing to read 'John D. McQuinn'.

Executive Director

## **Financial Section**

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## Independent Auditor's Report

To the Board of Education  
Southfield Public Schools

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Southfield Public Schools (the "School District") as of and for the year ended June 30, 2007, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Southfield Public Schools' management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Southfield Public Schools as of June 30, 2007 and the respective changes in financial position, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and the budgetary comparison schedules, as identified in the table of contents, are not required parts of the basic financial statements but are supplemental information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

To the Board of Education  
Southfield Public Schools

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Southfield Public Schools' basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The accompanying introductory section and statistical tables, as identified in the table of contents, are presented for the purpose of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

In accordance with *Government Auditing Standards*, we have also issued our report under separate cover dated October 31, 2007 on our consideration of Southfield Public Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide opinions on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

*Plante & Moran, PLLC*

October 31, 2007

# **Southfield Public Schools**

## **Management's Discussion and Analysis**

This section of Southfield Public Schools' (the "School District") annual financial report presents our discussion and analysis of the School District's financial performance during the year ended June 30, 2007. Please read it in conjunction with the School District's financial statements, which immediately follow this section.

### **Using this Annual Report**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Southfield Public Schools financially as a whole. The government-wide financial statements provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short term as well as what remains for future spending. The fund financial statements look at the School District's operations in more detail than the government-wide financial statements by providing information about the School District's most significant funds - the General Fund, the Funded Projects Fund, and the 2004 Bond Series II Capital Projects Fund, with all other funds presented in one column as nonmajor funds. The remaining statement, the statement of fiduciary assets and liabilities, presents financial information about activities for which the School District acts solely as an agent for the benefit of students and parents. The basic financial statements are comprised of the following elements:

Management's Discussion and Analysis (MD&A)  
(Required Supplemental Information)

#### **Basic Financial Statements**

Government-wide Financial Statements

Fund Financial Statements

Notes to the Basic Financial Statements

(Required Supplemental Information)  
Budgetary Information for Major Funds

Other Supplemental Information

In addition, the School District has added the introductory section and the statistical section to complete its Comprehensive Annual Financial Report.

# **Southfield Public Schools**

## **Management's Discussion and Analysis (Continued)**

### ***Reporting the School District as a Whole - Government-wide Financial Statements***

One of the most important questions asked about the School District is, "As a whole, what is the School District's financial condition as a result of the year's activities?" The statement of net assets and the statement of activities, which appear first in the School District's financial statements, report information on the School District as a whole and its activities in a way that helps you answer this question. We prepare these statements to include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the School District's net assets - the difference between assets and liabilities, as reported in the statement of net assets - as one way to measure the School District's financial health or financial position. Over time, increases or decreases in the School District's net assets - as reported in the statement of activities - are indicators of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the School District's operating results. However, the School District's goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other nonfinancial factors, such as the quality of the education provided and the safety of the schools, to assess the overall health of the School District.

The statement of net assets and statement of activities report the governmental activities for the School District, which encompass all of the School District's services, including instruction, support services, community services, athletics, and food services. Property taxes, unrestricted state aid (foundation allowance revenue), and state and federal grants finance most of these activities.

### ***Reporting the School District's Most Significant Funds - Fund Financial Statements***

The School District's fund financial statements provide detailed information about the most significant funds - not the School District as a whole. Some funds are required to be established by state law and by bond covenants. However, the School District establishes many other funds to help it control and manage money for particular purposes (the Food Services and Athletics Funds are examples) or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money (such as bond-funded construction funds used for voter-approved capital projects). The governmental funds of the School District use the following accounting approach:

# Southfield Public Schools

## Management's Discussion and Analysis (Continued)

**Governmental Funds** - All of the School District's services are reported in governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year end that are available for spending. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the operations of the School District and the services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. We describe the relationship (or differences) between governmental activities (reported in the statement of net assets and the statement of activities) and governmental funds in a reconciliation.

### *The School District as Trustee - Reporting the School District's Fiduciary Responsibilities*

The School District is the trustee, or fiduciary, for its student activity funds. All of the School District's fiduciary activities are reported in a separate statement of fiduciary assets and liabilities. We exclude these activities from the School District's other financial statements because the School District cannot use these assets to finance its operations. The School District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

### **The School District as a Whole**

Recall that the statement of net assets provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets as of June 30, 2007 and 2006.

TABLE 1 - Condensed Statement of Net Assets

	Governmental Activities	
	2007	2006
	(in millions)	
<b>Assets</b>		
Current and other assets	\$ 47.5	\$ 64.5
Capital assets	114.1	98.2
Total assets	161.6	162.7
<b>Liabilities</b>		
Current liabilities	19.9	16.5
Long-term liabilities	109.0	109.8
Total liabilities	128.9	126.3

# Southfield Public Schools

## Management's Discussion and Analysis (Continued)

TABLE 1 - Condensed Statement of Net Assets (Continued)

	Governmental Activities	
	2007	2006
	(in millions)	
<b>Net Assets</b>		
Invested in capital assets - Net of related debt	\$ 33.2	\$ 28.7
Restricted	0.6	0.3
Unrestricted	(1.1)	7.4
Total net assets	<u>\$ 32.7</u>	<u>\$ 36.4</u>

The above analysis focuses on the net assets (see Table 1). The change in net assets of the School District's governmental activities is discussed below (see Table 2). The School District's net assets were \$32.7 million and \$36.4 million at June 30, 2007 and 2006, respectively. Capital assets, net of related debt, totaling \$33.2 million, compares the original cost (less depreciation) of the School District's capital assets to long-term debt used to finance the acquisition of those assets. Most of the debt will be repaid from voter-approved property taxes collected as the debt service comes due. Restricted net assets are reported separately to show legal constraints from debt covenants and enabling legislation that limit the School District's ability to use those net assets for day-to-day operations. The remaining amount of net assets (\$(1.1) million) was unrestricted.

The \$(1.1) million in unrestricted net assets of governmental activities represents the accumulated results of all past years' operations. The operating results of the General Fund will have a significant impact on the change in unrestricted net assets from year to year.



# Southfield Public Schools

## Management's Discussion and Analysis (Continued)

The results of this year's operations for the School District as a whole are reported in the statement of activities, which shows the changes in net assets for fiscal years June 30, 2007 and 2006 (see Table 2).

TABLE 2 - Condensed Statement of Activities

	Governmental Activities	
	2007	2006
	(in millions)	
<b>Revenue</b>		
Program revenue:		
Charges for services	\$ 2.3	\$ 2.7
Operating grants/contributions	28.8	25.7
General revenue:		
Property taxes	73.7	73.0
State foundation allowance	39.3	41.5
Other	3.3	2.9
Total revenue	147.4	145.8
<b>Function/Program Expenses</b>		
Instruction	79.9	76.6
Support services	62.1	61.4
Food services	2.7	2.6
Athletics	0.7	0.6
Community services	0.8	1.0
Interest on long-term debt	4.9	4.9
Total function/program expenses	151.1	147.1
<b>Decrease in Net Assets</b>	(3.7)	(1.3)
<b>Net Assets - Beginning of year</b>	36.4	37.7
<b>Net Assets - End of year</b>	<u>\$ 32.7</u>	<u>\$ 36.4</u>

As reported in the statement of activities, the cost of all of our governmental activities this year was \$151.1 million. Certain activities were partially funded from those who benefited from the programs (\$2.3 million) or by other governments and organizations that subsidized certain programs with grants and contributions (\$28.8 million). We paid for the remaining "public benefit" portion of our governmental activities with \$73.7 million in taxes, \$39.3 million in State Foundation Grant, and with our other revenues, such as interest and general entitlements.

# **Southfield Public Schools**

## **Management's Discussion and Analysis (Continued)**

The School District experienced a decrease in net assets of \$3.7 million. Key reasons for the decrease in net assets were an overall increase in net capital assets of \$15.9 million and a net decrease in bonds payable of \$4.4 million, offset by a fund balance decrease of \$20.5 million.

As discussed above, the net cost shows the financial burden that was placed on the State and the School District's taxpayers by each of these functions. Since property taxes for operations and unrestricted state aid constitute the vast majority of School District operating revenue sources, the Board of Education and administration must annually evaluate the needs of the School District and balance those needs with state-prescribed available unrestricted resources.

### **The School District's Funds**

As we noted earlier, the School District uses funds to help it control and manage money for particular purposes. Looking at funds helps the reader consider whether the School District is being accountable for the resources taxpayers and others provide to it and may provide more insight into the School District's overall financial health.

As the School District completed this year, the governmental funds reported a combined fund balance of \$27.9 million, which is a decrease of \$20.5 million from last year. The primary reasons for the decrease are as follows:

In the General Fund, our principal operating fund, the fund balance decreased \$5.5 million to \$12.9 million. The change is due mainly to:

- Salary increases as required by various employee union contracts
- Lower revenues as a result of the prior year reduction of 1.0 mill in levied property tax millage
- Increases in healthcare and retirement costs
- Decrease in student enrollment of 450 students
- Significant increases in bus fuel and utility costs

The General Fund fund balance is available to fund costs related to allowable school operating purposes.

In the Special Revenue Funds (including the Funded Projects Fund), the fund balance had a net increase of approximately \$351,000.

Combined, the Debt Service Funds showed a fund balance increase of approximately \$315,000. Millage rates are determined annually to ensure that the School District accumulates sufficient resources to pay annual bond issue-related debt service. Debt Service Fund fund balances are reserved since they can only be used to pay debt service obligations.

# Southfield Public Schools

## Management's Discussion and Analysis (Continued)

The combined Capital Projects Funds fund balance decreased by \$15.7 million to \$14.2 million as the School District continued construction under voter-approved projects during the current year. Capital Projects Funds fund balances are reserved since they can only be used for capital expenditures.

### General Fund Budgetary Highlights

Over the course of the year, the School District may revise its budget as it attempts to deal with unexpected changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. The final amendment to the budget was adopted in June 2007.

There were no significant variances between the final budget and actual amounts.

### Capital Asset and Debt Administration

#### **Capital Assets**

At June 30, 2007 and 2006, the School District had \$114.1 million and \$98.2 million, respectively (after accumulated depreciation), invested in a broad range of capital assets, including land, buildings, vehicles, furniture, and equipment. This amount represents a net increase (including additions, deductions, and depreciation) of approximately \$15.9 million, or 16 percent, from last year.

	2007	2006
Land	\$ 8,116,352	\$ 8,116,352
Buildings and building improvements	70,810,111	70,810,111
Buses and other vehicles, furniture, and equipment	24,997,981	24,246,123
Construction in progress	84,699,815	67,354,922
Total capital assets	188,624,259	170,527,508
Less accumulated depreciation	74,485,182	72,333,546
Net capital assets	<u>\$ 114,139,077</u>	<u>\$ 98,193,962</u>

This year's additions of \$18.1 million included building renovations, furniture, and equipment. The majority of the additions were funded from the 2003 Bond Series I Capital Projects Fund and 2004 Bond Series II Capital Projects Fund. We present more detailed information about our capital assets in the notes to the financial statements.

# Southfield Public Schools

## Management's Discussion and Analysis (Continued)

### Debt

At the end of this year, the School District had \$96.4 million in bonds outstanding versus \$96.7 million in the previous year. The decrease was due primarily to the net effect of the current year bond defeasance and principal payments being made. Those bonds consisted of the following:

	2007	2006
General obligation bonds	<u>\$ 96,375,000</u>	<u>\$ 96,730,000</u>

The School District's general obligation bond rating is AA by Standard & Poor's. The State limits the amount of general obligation debt that schools can issue to 15 percent of the assessed value of all taxable property within the School District's boundaries. If the School District issues "qualified debt," that is, debt backed by the State of Michigan, such obligations are not subject to this debt limit. The School District's outstanding unqualified general obligation debt is significantly below the statutorily imposed limit.

Other obligations include accrued vacation pay, early retirement incentive, sick leave, severance, and anticipated tax appeal settlements. We present more detailed information about our long-term liabilities in the notes to the financial statements.

### Economic Factors and Next Year's Budget

Our elected officials and administration considered many factors when setting the School District's 2008 fiscal year budget. One of the most important factors affecting the budget is our student count. The state foundation allowance is determined by multiplying the blended student count by the foundation allowance per pupil. The blended count for the 2008 fiscal year is 25 percent and 75 percent of the February 2007 and September 2007 student counts, respectively. The original 2008 budget was adopted in June 2007, based on an estimate of students to be enrolled in September 2007.

Over 85 percent of total General Fund revenue comes from the state foundation allowance and categorical payments. Under state law, the School District cannot assess additional property tax revenue for general operations. As a result, School District funding is heavily dependent on the State's ability to fund local school operations. Based on early enrollment data at the start of the 2007-2008 school year, we anticipate that the fall student count will be lower than the estimates used in creating the fiscal 2008 budget. Once the final student count and related per pupil funding is validated, state law requires the School District to amend the budget if actual School District resources are not sufficient to fund original appropriations.

# Southfield Public Schools

## Statement of Net Assets June 30, 2007

	Governmental Activities
<b>Assets</b>	
Cash and investments (Note 3)	\$ 20,806,857
Receivables:	
Accounts receivable	419,350
Taxes receivable	365,952
Due from other governmental units	7,215,165
Inventories	141,823
Prepaid costs	2,935,104
Restricted assets (Note 8)	15,571,179
Capital assets - Less accumulated depreciation of \$74,485,182 (Note 5)	<u>114,139,077</u>
Total assets	161,594,507
<b>Liabilities</b>	
Accounts payable	5,780,178
Accrued payroll and other liabilities	8,775,790
Deferred revenue (Note 4)	3,252,968
Due to other governments	2,024,435
Long-term liabilities (Note 7):	
Bonds and notes payable, due within one year	3,653,193
Other obligations, due within one year	1,732,800
Bonds and notes payable, due in more than one year	90,830,836
Other obligations, due in more than one year	<u>12,808,033</u>
Total liabilities	<u>128,858,233</u>
<b>Net Assets</b>	
Invested in capital assets - Net of related debt	33,244,013
Restricted for debt service	597,338
Unrestricted	<u>(1,105,077)</u>
Total net assets	<u><u>\$ 32,736,274</u></u>

# Southfield Public Schools

## Statement of Activities Year Ended June 30, 2007

	Expenses	Program Revenues		Governmental
		Charges for	Operating	Activities
		Services	Grants/ Contributions	Net (Expense) Revenue and Changes in Net Assets
<b>Functions/Programs</b>				
Primary government - Governmental activities:				
Instruction	\$ 79,917,621	\$ 234,013	\$ 27,362,931	\$ (52,320,677)
Support services	62,102,166	232,058	-	(61,870,108)
Food services	2,684,774	1,235,607	1,489,323	40,156
Athletics	665,651	50,051	-	(615,600)
Community services	842,346	558,270	-	(284,076)
Interest on long-term debt	4,913,980	-	-	(4,913,980)
Total primary government - Governmental activities	<u>\$ 151,126,538</u>	<u>\$ 2,309,999</u>	<u>\$ 28,852,254</u>	(119,964,285)
General revenues:				
Taxes:				
Property taxes, levied for general purposes				65,681,885
Property taxes, levied for debt services				8,059,721
State aid not restricted to specific purposes				39,285,983
Interest and investment earnings				1,991,661
Other				<u>1,289,333</u>
Total general revenues				<u>116,308,583</u>
Change in Net Assets				(3,655,702)
Net Assets - Beginning of year				<u>36,391,976</u>
Net Assets - End of year				<u>\$ 32,736,274</u>

# Southfield Public Schools

## Governmental Funds Balance Sheet June 30, 2007

	General Fund	Funded Projects Fund	2004 Bond Series II Capital Projects Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Cash and investments (Note 3)	\$ 19,854,835	\$ -	\$ -	\$ 952,022	\$ 20,806,857
Receivables:					
Accounts receivable	366,324	-	-	53,026	419,350
Taxes	328,175	-	-	37,777	365,952
Due from other governmental units	4,681,022	2,530,695	-	3,448	7,215,165
Due from other funds (Note 6)	1,964,111	-	1,582,575	453,970	4,000,656
Inventories	127,499	-	-	14,324	141,823
Prepaid costs	2,935,104	-	-	-	2,935,104
Restricted assets (Note 8)	-	-	14,970,663	600,516	15,571,179
<b>Total assets</b>	<b>\$ 30,257,070</b>	<b>\$ 2,530,695</b>	<b>\$ 16,553,238</b>	<b>\$ 2,115,083</b>	<b>\$ 51,456,086</b>
<b>Liabilities and Fund Balances (Deficit)</b>					
<b>Liabilities</b>					
Accounts payable	\$ 3,214,039	\$ 196,813	\$ 1,812,133	\$ 30,375	\$ 5,253,360
Accrued payroll and other liabilities	7,271,626	291,687	513,890	39,725	8,116,928
Due to other funds (Note 6)	2,563,363	854,357	-	1,109,754	4,527,474
Due to other governmental units	1,943,484	76,136	-	4,815	2,024,435
Deferred revenue (Note 4)	2,409,080	1,239,966	-	-	3,649,046
<b>Total liabilities</b>	<b>17,401,592</b>	<b>2,658,959</b>	<b>2,326,023</b>	<b>1,184,669</b>	<b>23,571,243</b>
<b>Fund Balances (Deficit)</b>					
Reserved:					
Inventories	127,499	-	-	14,324	141,823
Prepaid costs	2,935,104	-	-	-	2,935,104
Commitments (Note 5)	-	-	6,985,765	-	6,985,765
Capital projects	-	-	7,241,450	(31,279)	7,210,171
Debt service	-	-	-	597,338	597,338
Unreserved:					
Designated for community activities	-	-	-	133,493	133,493
Designated for accumulated severance pay and compensated absences	5,407,981	-	-	-	5,407,981
Designated for early retirement incentive	4,384,894	-	-	-	4,384,894
Undesignated, reported in - Special Revenue Funds	-	(128,264)	-	216,538	88,274
<b>Total fund balances (deficit)</b>	<b>12,855,478</b>	<b>(128,264)</b>	<b>14,227,215</b>	<b>930,414</b>	<b>27,884,843</b>
<b>Total liabilities and fund balances (deficit)</b>	<b>\$ 30,257,070</b>	<b>\$ 2,530,695</b>	<b>\$ 16,553,238</b>	<b>\$ 2,115,083</b>	<b>\$ 51,456,086</b>

## Southfield Public Schools

### Governmental Funds Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets June 30, 2007

**Fund Balance - Total Governmental Funds** \$ 27,884,843

Amounts reported for governmental activities in the  
statement of net assets are different because:

Capital assets used in governmental activities are not  
financial resources and are not reported in the  
governmental funds:

Cost of capital assets	\$ 188,624,259	
Accumulated depreciation	<u>(74,485,182)</u>	114,139,077

Other long-term assets not available to pay current period expenditures therefore deferred in the funds (GASB No. 33)		396,078
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Long-term liabilities are not due and payable in the  
current period and are not reported in the  
governmental funds:

Bonds and notes payable, including premium and deferred charges	(94,484,029)
Compensated absences and other	(14,540,833)

Accrued interest payable is not included as a liability in the governmental funds	<u>(658,862)</u>
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**Net Assets of Governmental Activities** \$ 32,736,274



# Southfield Public Schools

## Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balances (Deficit) Year Ended June 30, 2007

	General Fund	Funded Projects Fund	2004 Bond Series II Capital Projects Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenue</b>					
Local sources	\$ 67,880,377	\$ -	\$ 1,923,395	\$ 10,421,070	\$ 80,224,842
State sources	46,869,545	267,495	-	163,896	47,300,936
Federal sources	-	5,277,521	-	1,325,427	6,602,948
Interdistrict sources	12,244,899	44,551	-	-	12,289,450
<b>Total revenue</b>	<b>126,994,821</b>	<b>5,589,567</b>	<b>1,923,395</b>	<b>11,910,393</b>	<b>146,418,176</b>
<b>Expenditures</b>					
Current:					
Instruction	73,157,711	3,297,780	-	30,113	76,485,604
Support services	52,903,102	-	-	-	52,903,102
Community services	256,252	49,666	-	467,576	773,494
Food services	-	-	-	2,671,864	2,671,864
Athletics	-	-	-	661,348	661,348
Debt service principal	182,592	-	-	3,090,000	3,272,592
Debt service interest and other	4,921	-	-	4,734,863	4,739,784
Other	5,258,007	1,804,367	-	-	7,062,374
Capital outlay	158,806	121,500	18,122,639	(102,473)	18,300,472
<b>Total expenditures</b>	<b>131,921,391</b>	<b>5,273,313</b>	<b>18,122,639</b>	<b>11,553,291</b>	<b>166,870,634</b>
<b>Excess (Deficiency) of Revenue Over Expenditures</b>	<b>(4,926,570)</b>	<b>316,254</b>	<b>(16,199,244)</b>	<b>357,102</b>	<b>(20,452,458)</b>
<b>Other Financing Sources (Uses)</b>					
Transfers in (Note 6)	156,693	-	-	741,209	897,902
Transfers out (Note 6)	(684,209)	-	-	(213,693)	(897,902)
Face amount of refunding bonds	-	-	-	73,110,000	73,110,000
Premium on debt issued	-	-	-	783,395	783,395
Other debt issuance costs	-	-	-	(445,348)	(445,348)
Payment to refunded bond escrow agent	-	-	-	(73,505,047)	(73,505,047)
<b>Total other financing sources (uses)</b>	<b>(527,516)</b>	<b>-</b>	<b>-</b>	<b>470,516</b>	<b>(57,000)</b>
<b>Net Change in Fund Balances</b>	<b>(5,454,086)</b>	<b>316,254</b>	<b>(16,199,244)</b>	<b>827,618</b>	<b>(20,509,458)</b>
<b>Fund Balances (Deficit) - Beginning of year</b>	<b>18,309,564</b>	<b>(444,518)</b>	<b>30,426,459</b>	<b>102,796</b>	<b>48,394,301</b>
<b>Fund Balances (Deficit) - End of year</b>	<b>\$ 12,855,478</b>	<b>\$ (128,264)</b>	<b>\$ 14,227,215</b>	<b>\$ 930,414</b>	<b>\$ 27,884,843</b>

# Southfield Public Schools

## Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances (Deficit) of Governmental Funds to the Statement of Activities Year Ended June 30, 2007

Net Change in Fund Balances - Total Governmental Funds \$ (20,509,458)

Amounts reported for governmental activities in the statement  
of activities are different because:

Governmental funds report capital outlays as expenditures;  
in the statement of activities, these costs are allocated  
over their estimated useful lives as depreciation:

Depreciation expense	\$ (2,151,636)	
Capitalized capital outlays	<u>18,096,751</u>	15,945,115

Revenue reported in the governmental funds that was reported in the prior year's statement of activities (GASB No. 33)		(126,813)
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Long-term debt issuance is reported as an other financing source in the governmental funds. Long-term debt is not a revenue in the statement of activities and is reported as a long-term liability in the statement of net assets		(73,110,000)
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Underwriter's premium and deferred charges reported as revenue and expenditures in the funds and amortized in the statement of activities		4,012,153
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Accrued interest is recorded in the statement of activities when incurred; it is not reported in governmental funds until paid:		
Accrued interest at July 1, 2006	472,228	
Accrued interest at June 30, 2007	<u>(658,862)</u>	(186,634)

Revenue reported in the statement of activities that does not provide current financial resources and is not reported as revenue in the governmental funds (GASB No. 33)		396,078
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Repayment of bond and note principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)		73,647,591
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Increases in other liabilities are reported as expenditures when financial resources are used in the governmental funds		<u>(3,723,734)</u>
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Change in Net Assets of Governmental Activities \$ (3,655,702)

## **Southfield Public Schools**

### **Fiduciary Fund Statement of Fiduciary Assets and Liabilities June 30, 2007**

	Student Activities <u>Agency Fund</u>
<b>Assets - Due from other funds (Note 6)</b>	<b><u>\$ 526,818</u></b>
<b>Liabilities</b>	
Accounts payable	\$ 3,816
Due to student groups	<u>523,002</u>
Total liabilities	<b><u>\$ 526,818</u></b>

# **Southfield Public Schools**

## **Notes to Financial Statements June 30, 2007**

### **Note 1 - Summary of Significant Accounting Policies**

The accounting policies of Southfield Public Schools (the "School District") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the School District:

#### **Reporting Entity**

The School District is governed by an elected seven-member Board of Education. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships and financial accountability that determine which of the governmental organizations are a part of the School District's reporting entity, and which organizations are legally separate, component units of the School District. Based on the application of the criteria, the School District does not contain any component units.

#### **Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All the School District's government-wide activities are considered governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments, and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

# Southfield Public Schools

## Notes to Financial Statements June 30, 2007

### Note I - Summary of Significant Accounting Policies (Continued)

#### Measurement Focus, Basis of Accounting, and Financial Statement Presentation

**Government-wide Financial Statements** - The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants, categorical aid, and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenue include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes and unrestricted state aid.

**Fund-based Statements** - Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, unrestricted state aid, intergovernmental grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the School District.

Fiduciary fund statements also are reported using the accrual basis of accounting.

# Southfield Public Schools

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## Notes to Financial Statements June 30, 2007

### Note I - Summary of Significant Accounting Policies (Continued)

The School District reports the following major governmental funds:

**General Fund** - The General Fund is the School District's primary operating fund. It accounts for all financial resources of the School District, except those required to be accounted for in another fund.

**Funded Projects Fund** - The Funded Projects Fund is used to record grants received from the federal government and other sources and the expenditures associated with those programs.

**2004 Bond Series II Capital Projects Fund** - The 2004 Bond Series II Capital Projects Fund is used to record bond proceeds or other revenue and the disbursement of monies specifically designated for acquiring new school sites, buildings, equipment, and for major remodeling. The fund operates until the purpose for which it was created is accomplished.

Additionally, the School District reports the following nonmajor fund types:

**Special Revenue Funds** - Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditure for specified purposes. The School District's Special Revenue Funds include the Food Services Fund, Athletics Fund, Community Activities Fund, and Expendable Trust Funds. Any operating deficit generated by these activities is the responsibility of the General Fund.

**Debt Service Funds** - Debt Service Funds are used to record tax and interest revenue and the payment of interest, principal, and other expenditures on bonded debt.

**Capital Projects Funds** - The Capital Projects Funds are used to record revenue and the disbursement of monies specifically designated for major remodeling and repairs.

**Student Activities Agency Fund** - The School District presently maintains an Agency Fund to record the transactions of student groups for school and school-related purposes. The funds are segregated and held in trust for the students.

# Southfield Public Schools

## Notes to Financial Statements June 30, 2007

### Note 1 - Summary of Significant Accounting Policies (Continued)

#### Assets, Liabilities, and Net Assets or Equity

**Cash and Investments** - Cash and investments include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value. Pooled investment income from the Debt Service Funds is generally allocated to each fund using a weighted average of balance for the principal.

**Receivables and Payables** - In general, outstanding balances between funds are reported as "due to/from other funds." Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/from other funds."

All trade and property tax receivables are shown net of an allowance for uncollectible amounts. The School District considers all accounts receivable to be fully collectible; accordingly, no allowance for uncollectible amounts is recorded. Property taxes are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are billed on July 1 for approximately 50 percent of the taxes and on December 1 for the remainder of the property taxes. Taxes are considered delinquent on March 1 of the following year. At this time, penalties and interest are assessed and the total obligation is added to the county tax rolls.

**Inventories and Prepaid Costs** - Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid costs in both government-wide and fund financial statements.

**Restricted Assets** - The unspent bond proceeds and related interest of the Capital Projects Funds require amounts to be set aside for construction. These amounts have been classified as restricted assets.

**Capital Assets** - Capital assets, which include land, buildings, equipment, and vehicles, are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the School District as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of five years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add to the value or materially extend asset life are not capitalized. The School District does not have infrastructure-type assets.

# Southfield Public Schools

## Notes to Financial Statements June 30, 2007

### Note 1 - Summary of Significant Accounting Policies (Continued)

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings and additions	20-50 years
Buses and other vehicles	5-10 years
Furniture and other equipment	5-10 years

Land and construction in progress are not depreciated.

**Compensated Absences (Vacation and Sick Leave)** - The liability for compensated absences reported in the government-wide statements consists of unpaid, accumulated annual vacation and sick leave balances. A liability for these amounts is reported in the governmental funds as it comes due for payment. The liability has been calculated using the vesting method, in which leave amounts for both employees who are currently eligible to receive termination payments at normal retirement age and other employees who are expected to become eligible in the future to receive such payments upon normal retirement are included.

A liability for early termination benefits is reported in the district-wide statements at the discounted present value of the expected future benefit payments using a discount rate of 5 percent. The early retirement benefits consist of early retirement incentive cash payments provided on behalf of 80 employees to a retirement plan over a four-year period. The cost of the obligation is reported in long-term debt.

**Long-term Obligations** - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and are amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

**Fund Equity** - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.



# Southfield Public Schools

## Notes to Financial Statements June 30, 2007

### Note 1 - Summary of Significant Accounting Policies (Continued)

**Comparative Data** - Comparative data is not included in the School District's financial statements.

### Note 2 - Stewardship, Compliance, and Accountability

**Budgetary Information** - Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America and state law for the General, Special Revenue, and Debt Service Funds. All annual appropriations lapse at fiscal year end.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the function level. State law requires the School District to have its budget in place by July 1. Expenditures in excess of amounts budgeted for the General and Special Revenue Funds are a violation of Michigan law. State law permits districts to amend their budgets during the year. There were no significant budget amendments during the year.

Encumbrance accounting is employed in governmental funds. Amounts encumbered for purchase orders, contracts, etc. are not tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

**Excess of Expenditures Over Appropriations in Budgeted Funds** - The School District did not have significant expenditure budget variances.

**Fund Deficits** - The School District has an accumulated fund balance deficit in the following funds:

- **2003 Bond Series I Capital Projects Fund** - Fund balance deficit of \$78,217 - This deficit is due primarily to the allocation of construction expenditures between the 2003 Bond Series I Capital Projects Fund and the 2004 Bond Series II Capital Projects Fund for work performed under construction projects approved by voters in December 2002. This deficit will be eliminated through transfers in from the 2004 Bond Series II Capital Projects Fund.
- **Funded Projects Fund** - The School District has accumulated a fund balance deficit in the Funded Projects Fund of \$128,264.
- **1994 Debt Service Fund** - Fund balance deficit of \$29,468 - This deficit will be eliminated by the transfer of fund balance from the 1992 and 1993 Debt Service Funds, whose outstanding debt has been retired, and from subsequent years' tax collections.

# **Southfield Public Schools**

## **Notes to Financial Statements June 30, 2007**

### **Note 2 - Stewardship, Compliance, and Accountability (Continued)**

**Capital Projects Fund Compliance** - The Capital Projects Funds include capital project activities funded with bonds issued after May 1, 1994. For these capital projects, the School District has complied with the applicable provisions of §1351a of the State of Michigan's School Code.

### **Note 3 - Deposits and Investments**

State statutes authorize the School District to make deposits in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The School District is allowed to invest in U.S. Treasury or agency obligations, U.S. government repurchase agreements, bankers' acceptances, commercial paper rated prime at the time of purchase that matures not more than 270 days after the date of purchase, mutual funds, and investment pools that are composed of authorized investment vehicles. The School District's deposits are in accordance with statutory authority.

The School District has designated 13 banks for the deposit of its funds.

The School District's cash and investments are subject to several types of risk, which are examined in more detail below:

#### **Custodial Credit Risk of Bank Deposits**

Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. The School District does not currently have a policy for custodial credit risk. At year end, the School District's deposit balance of \$38,231,900 had \$38,031,900 of bank deposits (certificates of deposit, checking, and savings accounts) that were uninsured and uncollateralized. The School District believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the School District evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

#### **Custodial Credit Risk of Investments**

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School District does not currently have a policy for custodial credit risk. The School District does not have investments with custodial credit risk.

# Southfield Public Schools

## Notes to Financial Statements June 30, 2007

### Note 3 - Deposits and Investments (Continued)

#### Interest Rate Risk

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The School District does not currently have a policy for interest rate risk, other than commercial paper which can only be purchased with a 270-day maturity. The School District minimizes interest rate risk by requiring the structuring of the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools; and limiting the average maturity in accordance with the School District's cash requirements.

#### Credit Risk

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The School District's investment policy does not further limit its investment choices.

At year end, the maturities of investments and the credit quality ratings of debt securities are as follows:

Investment	Fair Value	Maturities	Rating	Rating Organization
Michigan Liquid Asset Fund - MIMAX	\$ 722,190	N/A	AI/PI	S&P
Comerica J Fund	520,158	N/A	PI	S&P
Total investments	<u>\$ 1,242,348</u>			

#### Concentration of Credit Risk

The School District places no limit on the amount the School District may invest in any one issuer.

# Southfield Public Schools

## Notes to Financial Statements June 30, 2007

### Note 3 - Deposits and Investments (Continued)

#### Foreign Currency Risk

Foreign currency risk is the risk that an investment denominated in the currency of a foreign country could reduce its U.S. dollar value as a result of changes in foreign currency exchange rates. State law prohibits investment in foreign currency.

### Note 4 - Deferred Revenue

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Receivables for revenue not available in current period	\$ 396,078	\$ -
Grant and categorical aid payment received prior to meeting all eligibility requirements	-	3,252,968
Total	<u>\$ 396,078</u>	<u>\$ 3,252,968</u>

### Note 5 - Capital Assets

Capital asset activity of the School District's governmental activities was as follows:

	<u>Balance July 1, 2006</u>	<u>Additions</u>	<u>Disposals and Adjustments</u>	<u>Balance June 30, 2007</u>
Assets not being depreciated:				
Land	\$ 8,116,352	\$ -	\$ -	\$ 8,116,352
Construction in progress	67,354,922	17,344,893	-	84,699,815
Subtotal	75,471,274	17,344,893	-	92,816,167
Capital assets being depreciated:				
Buildings and building improvements	70,810,111	-	-	70,810,111
Buses and other vehicles	6,495,502	329,952	-	6,825,454
Furniture and equipment	17,750,621	421,906	-	18,172,527
Subtotal	95,056,234	751,858	-	95,808,092

# Southfield Public Schools

## Notes to Financial Statements June 30, 2007

### Note 5 - Capital Assets (Continued)

	Balance July 1, 2006	Additions	Disposals and Adjustments	Balance June 30, 2007
Accumulated depreciation:				
Buildings and building improvements	\$ 57,727,073	\$ 980,505	\$ -	\$ 58,707,578
Buses and other vehicles	3,886,308	554,853	-	4,441,161
Furniture and equipment	10,720,165	616,278	-	11,336,443
Subtotal	72,333,546	2,151,636	-	74,485,182
Net capital assets being depreciated	22,722,688	(1,399,778)	-	21,322,910
Net capital assets	\$ 98,193,962	\$ 15,945,115	\$ -	\$ 114,139,077

Depreciation expense was charged to governmental activities as follows:

Governmental activities:	
Instruction	\$ 994,056
Support services	1,071,515
Community services	68,852
Food services	12,910
Athletics	4,303
Total	\$ 2,151,636

**Commitments** - The School District has active construction projects at year end. These projects are part of the 2003 Bond Series I Capital Projects Fund and 2004 Bond Series II Capital Projects Fund. At year end, the School District's commitments with contractors are \$6,985,765. As of June 30, 2007, these commitments are reserved in the following governmental funds:

	Spent to Date	Remaining Commitment
2004 Bond issue	\$ 66,483,883	\$ 6,985,765

# Southfield Public Schools

## Notes to Financial Statements June 30, 2007

### Note 6 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Funded projects	\$ 854,357
General Fund	Other nonmajor governmental funds	1,109,754
2004 Bond Series II	General Fund	1,582,575
Other nonmajor governmental funds	General Fund	453,970
Fiduciary Fund	General Fund	526,818
Total		<u>\$ 4,527,474</u>

Interfund balances represent routine and temporary cash flow assistance from funds until amounts are transferred from fund investment accounts.

### Interfund Transfers

Interfund transfers represent routine, recurring transfers between funds. The composition of the operating transfers is as follows:

	Transfers Out		
	General Fund	Other Nonmajor Governmental Funds	Total
Transfers in:			
General Fund	\$ -	\$ 156,693	\$ 156,693
Other nonmajor governmental funds	684,209	57,000	741,209
Total	<u>\$ 684,209</u>	<u>\$ 213,693</u>	<u>\$ 897,902</u>

Transfers from the General Fund to the other nonmajor governmental funds include the operating subsidy transfers to the Athletics Fund.

# Southfield Public Schools

## Notes to Financial Statements June 30, 2007

### Note 7 - Long-term Debt

The School District issues bonds, notes, and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the School District. Other long-term obligations include compensated absences, accumulated severance pay, early retirement incentive, and tax appeal settlements.

Long-term obligation activity can be summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Bonds	\$ 96,730,000	\$ 73,110,000	\$ 73,465,000	\$ 96,375,000	\$ 3,710,000
Less deferred amounts:					
Deferred charges	-	(3,130,047)	(142,275)	(2,987,772)	(142,275)
Issuance premium	2,121,182	783,395	1,807,776	1,096,801	85,468
Total bonds payable	98,851,182	70,763,348	75,130,501	94,484,029	3,653,193
Notes	182,591	-	182,591	-	-
Accumulated severance pay and compensated absences	9,874,251	-	421,268	9,452,983	535,000
Early retirement incentive	-	4,384,894	-	4,384,894	1,012,800
Anticipated tax appeal settlements	942,848	-	239,892	702,956	185,000
Total governmental activities	<u>\$ 109,850,872</u>	<u>\$ 75,148,242</u>	<u>\$ 75,974,252</u>	<u>\$ 109,024,862</u>	<u>\$ 5,385,993</u>

The General Fund is used to satisfy accumulated severance pay, compensated absences, early retirement incentive, and anticipated tax appeal settlement obligations when due.

# Southfield Public Schools

## Notes to Financial Statements June 30, 2007

### Note 7 - Long-term Debt (Continued)

Annual debt service requirements to maturity for the above governmental bond and note obligations are as follows:

	Governmental Activities		
	Principal	Interest	Total
2008	\$ 3,710,000	\$ 3,894,178	\$ 7,604,178
2009	3,455,000	4,208,960	7,663,960
2010	3,590,000	4,058,163	7,648,163
2011	3,725,000	3,907,538	7,632,538
2012	3,875,000	3,748,990	7,623,990
2013-2017	19,645,000	16,021,425	35,666,425
2018-2022	23,200,000	11,035,064	34,235,064
2023-2027	26,135,000	5,687,207	31,822,207
2028-2029	9,040,000	644,338	9,684,338
Total	<u>\$ 96,375,000</u>	<u>\$ 53,205,863</u>	<u>\$ 149,580,863</u>

#### Governmental Activities

General obligation bonds consist of the following at June 30, 2007:

1999 general obligation bonds due in annual installments of \$1,040,000 to \$1,255,000 through May 1, 2012; interest from 4.8 percent to 5.1 percent	\$ 5,715,000
2003 general obligation bonds due in annual installments of \$650,000 to \$1,025,000 through May 1, 2013; interest from 2.7 percent to 4.5 percent	4,575,000
2004 general obligation bonds due in annual installments of \$1,500,000 to \$2,575,000 through May 1, 2014; interest from 3.25 percent to 5.00 percent	12,975,000
2007 general obligation bonds due in annual installments of \$145,000 to \$5,455,000 through May 1, 2029; interest from 4.0 percent to 5.0 percent.	<u>73,110,000</u>
Total bonded debt	<u>\$ 96,375,000</u>



# Southfield Public Schools

## Notes to Financial Statements June 30, 2007

### Note 7 - Long-term Debt (Continued)

**Advance and Current Refundings** - During the year, the School District issued \$73,110,000 in general obligation bonds with an average interest rate of 4.39 percent. The proceeds of these bonds were used to advance refund \$70,375,000 of outstanding 2003 and 2004 bonds with interest rates ranging from 2.0 percent to 5.25 percent. The net proceeds of \$73,505,047 (after payment of \$445,000 in underwriting fees, insurance, and other issuance costs) were used to purchase U.S. government securities and were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the original bonds. As a result, the bonds are considered to be defeased and the liability for the bonds has been removed from the School District's long-term obligations. The advance refunding reduced total debt service payments by \$3,172,630, which represents an economic gain of \$2,083,426.

In prior years, the School District defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust accounts assets and liabilities for the defeased bonds are not included in the basic financial statements. At June 30, 2007, \$76,325,000 of bonds outstanding are considered defeased.

### Note 8 - Restricted Assets

The balances of the restricted asset accounts are as follows:

	Governmental Activities
Unspent bond proceeds and related interest	\$ 15,571,179

### Note 9 - Risk Management

The School District is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The School District has purchased commercial insurance for health claims and participates in the Middle Cities Risk Management Trust risk pool for claims relating to property loss, torts, errors and omissions, and the Metropolitan Association for Improved School Legislation (MAISL) risk pool for workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

# **Southfield Public Schools**

## **Notes to Financial Statements June 30, 2007**

### **Note 9 - Risk Management (Continued)**

The shared-risk pool programs in which the School District participates operate as common risk-sharing management programs for school districts in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

### **Note 10 - Defined Benefit Pension Plan and Postemployment Benefits**

**Plan Description** - As required by the Michigan Public School Retirement Act of 1979, as amended, the School District participates in the Michigan Public School Employees' Retirement System (MPERS), a statewide, cost-sharing, multiple-employer defined benefit public employee retirement system governed by the State of Michigan that covers substantially all employees of the School District. The MPERS provides retirement, survivor, and disability benefits to plan members and their beneficiaries. The Michigan Public School Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the MPERS. That report may be obtained by writing to the MPERS at P.O. Box 30171, Lansing, MI 48909-7671.

**Funding Policy** - Employer contributions to the MPERS result from the implementing effects of the School Finance Reform Act. Under these procedures, each school district is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health-care benefit amounts on a cash disbursement basis.

The pension benefit rate totals 16.34 percent and 17.74 percent of the covered payroll to the plan for the periods from July 1, 2006 through September 30, 2006 and October 1, 2006 through June 30, 2007, respectively. Basic plan members make no contributions. Participants in the member investment plan contribute at rates ranging from 3 percent to 4.3 percent of gross wages. The School District's contributions to the MPERS plan for the years ended June 30, 2007, 2006, and 2005 were \$16,689,843, \$15,901,080, and \$13,681,000, respectively.

**Postemployment Benefits** - Under the MPERS Act, all retirees participating in the MPERS pension plan have the option of continuing health, dental, and vision coverages. Retirees having these coverages contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent of the monthly premium amount for the health, dental, and vision coverages. Required contributions for post-employment healthcare benefits are included as part of the School District's total contribution to the MPERS plan discussed above.

# **Southfield Public Schools**

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## **Notes to Financial Statements June 30, 2007**

### **Note 11 - Contingent Liabilities**

The School District is a defendant in various employment-related litigation through the normal course of business. In the opinion of management, the resolution of these lawsuits will not have a material adverse effect on the financial positions of the School District.

## **Required Supplemental Information**

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# Southfield Public Schools

## Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2007

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
<b>Revenue</b>				
Local sources	\$ 68,983,300	\$ 69,541,848	\$ 67,880,377	\$ (1,661,471)
State sources	47,901,384	47,050,581	46,869,545	(181,036)
Interdistrict sources	11,320,642	11,681,307	12,244,899	563,592
Total revenue	128,205,326	128,273,736	126,994,821	(1,278,915)
<b>Expenditures - Current</b>				
Instruction:				
Basic programs	60,352,697	59,141,815	58,907,575	(234,240)
Added needs	13,647,837	14,423,235	14,250,136	(173,099)
Support services:				
Pupil	9,103,435	8,898,612	8,702,437	(196,175)
Instructional staff	5,180,689	5,537,105	5,046,129	(490,976)
General administration	2,059,191	2,181,456	1,878,112	(303,344)
School administration	9,003,069	8,527,021	8,375,496	(151,525)
Business services	3,812,711	3,320,475	3,121,129	(199,346)
Operations and maintenance	15,397,807	14,793,630	14,115,302	(678,328)
Transportation	7,238,625	7,637,221	7,254,467	(382,754)
Central services	4,575,500	4,862,640	4,410,030	(452,610)
Community services	177,767	223,560	256,252	32,692
Debt service:				
Principal	189,905	189,905	182,592	(7,313)
Interest and other	4,957	4,953	4,921	(32)
Capital outlay	433,203	390,933	158,806	(232,127)
Other	4,967,529	4,928,679	5,258,007	329,328
Total expenditures	136,144,922	135,061,240	131,921,391	(3,139,849)
<b>Other Financing Sources (Uses)</b>				
Transfers in	100,000	156,693	156,693	-
Transfers out	(637,490)	(637,490)	(684,209)	(46,719)
Total other financing uses	(537,490)	(480,797)	(527,516)	(46,719)
<b>Net Change in Fund Balance</b>	(8,477,086)	(7,268,301)	(5,454,086)	1,814,215
<b>Fund Balance - July 1, 2006</b>	18,309,564	18,309,564	18,309,564	-
<b>Fund Balance - June 30, 2007</b>	<u>\$ 9,832,478</u>	<u>\$ 11,041,263</u>	<u>\$ 12,855,478</u>	<u>\$ 1,814,215</u>

# Southfield Public Schools

## Required Supplemental Information Budgetary Comparison Schedule - Funded Projects Fund Year Ended June 30, 2007

	Original/Final Budget*	Actual	Over (Under) Final Budget
<b>Revenue</b>			
State sources	\$ 684,604	\$ 267,495	\$ (417,109)
Federal sources	5,609,104	5,277,521	(331,583)
Interdistrict sources	48,394	44,551	(3,843)
Total revenue	6,342,102	5,589,567	(752,535)
<b>Expenditures - Current</b>			
Instruction	4,052,972	3,297,780	(755,192)
Support services - Pupil	2,145,267	1,742,072	(403,195)
Community services	83,520	49,666	(33,854)
Capital outlay	121,500	121,500	-
Other	145,015	62,295	(82,720)
Total expenditures	6,548,274	5,273,313	(1,274,961)
<b>Net Change in Fund Balance (Deficit)</b>	(206,172)	316,254	522,426
<b>Fund Balance (Deficit) - July 1, 2006</b>	(444,518)	(444,518)	-
<b>Fund Balance (Deficit) - June 30, 2007</b>	<u>\$ (650,690)</u>	<u>\$ (128,264)</u>	<u>\$ 522,426</u>

\* The School District did not make any budget amendments during the current year.

## **Other Supplemental Information**

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# Southfield Public Schools

	Special Revenue Funds					
	Food Services	Athletics	Community Activities	Expendable Trust	1992 Debt	1993 Debt
<b>Assets</b>						
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts receivable	53,026	-	-	-	-	-
Taxes receivable	-	-	-	-	-	-
Due from other governmental units	3,448	-	-	-	-	-
Due from other funds	134,111	263	143,030	70,256	40,705	30,887
Inventories	14,324	-	-	-	-	-
Restricted	-	-	-	-	-	-
<b>Total assets</b>	<b>\$ 204,909</b>	<b>\$ 263</b>	<b>\$ 143,030</b>	<b>\$ 70,256</b>	<b>\$ 40,705</b>	<b>\$ 30,887</b>
<b>Liabilities and Fund Balances (Deficit)</b>						
<b>Liabilities</b>						
Accounts payable	\$ 28,075	\$ -	\$ 2,049	\$ -	\$ -	\$ -
Accrued payroll and other liabilities	12,982	210	5,972	-	-	-
Due to other funds	-	-	-	-	-	-
Due to other governmental units	3,246	53	1,516	-	-	-
<b>Total liabilities</b>	<b>44,303</b>	<b>263</b>	<b>9,537</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund Balances (Deficit)</b>						
Reserved:						
Inventory	14,324	-	-	-	-	-
Capital projects	-	-	-	-	-	-
Debt service	-	-	-	-	40,705	30,887
Unreserved:						
Designated for community activities	-	-	133,493	-	-	-
Undesignated	146,282	-	-	70,256	-	-
<b>Total fund balances (deficit)</b>	<b>160,606</b>	<b>-</b>	<b>133,493</b>	<b>70,256</b>	<b>40,705</b>	<b>30,887</b>
<b>Total liabilities and fund balances (deficit)</b>	<b>\$ 204,909</b>	<b>\$ 263</b>	<b>\$ 143,030</b>	<b>\$ 70,256</b>	<b>\$ 40,705</b>	<b>\$ 30,887</b>



**Other Supplemental Information  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2007**

Debt Service Funds					Capital Projects Funds			
1994 Debt	1999 Debt	2003 Debt	2004 Debt	2007 Debt	Building and Site	2003 Bond Series I Capital Projects Fund	Public Improvements	Total
\$ -	\$ 246,420	\$ 155,336	\$ 538,046	\$ -	\$ 8,448	\$ -	\$ 3,772	\$ 952,022
-	5,304	7,396	25,077	-	-	-	-	53,026
-	-	-	-	-	-	-	-	37,777
-	-	-	-	-	34,712	-	6	3,448
-	-	-	-	-	-	-	-	453,970
-	-	-	-	-	-	-	-	14,324
-	-	-	-	-	-	600,516	-	600,516
<u>\$ -</u>	<u>\$ 251,724</u>	<u>\$ 162,732</u>	<u>\$ 563,123</u>	<u>\$ -</u>	<u>\$ 43,160</u>	<u>\$ 600,516</u>	<u>\$ 3,778</u>	<u>\$ 2,115,083</u>
\$ -	\$ 138	\$ 113	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 30,375
-	-	-	-	-	-	20,561	-	39,725
29,468	16,014	71,350	334,750	-	-	658,172	-	1,109,754
-	-	-	-	-	-	-	-	4,815
29,468	16,152	71,463	334,750	-	-	678,733	-	1,184,669
-	-	-	-	-	-	-	-	14,324
-	-	-	-	-	43,160	(78,217)	3,778	(31,279)
(29,468)	235,572	91,269	228,373	-	-	-	-	597,338
-	-	-	-	-	-	-	-	133,493
-	-	-	-	-	-	-	-	216,538
<u>(29,468)</u>	<u>235,572</u>	<u>91,269</u>	<u>228,373</u>	<u>-</u>	<u>43,160</u>	<u>(78,217)</u>	<u>3,778</u>	<u>930,414</u>
<u>\$ -</u>	<u>\$ 251,724</u>	<u>\$ 162,732</u>	<u>\$ 563,123</u>	<u>\$ -</u>	<u>\$ 43,160</u>	<u>\$ 600,516</u>	<u>\$ 3,778</u>	<u>\$ 2,115,083</u>

# Southfield Public Schools

	Special Revenue Funds				Debt Service Funds	
	Food Services	Athletics	Community Activities	Expendable Trust	1992 Debt	1993 Debt
<b>Revenues</b>						
Local sources	\$ 1,235,607	\$ 50,051	\$ 558,270	\$ 4,726	\$ -	\$ -
State sources	163,896	-	-	-	-	-
Federal sources	1,325,427	-	-	-	-	-
Total revenues	2,724,930	50,051	558,270	4,726	-	-
<b>Expenditures</b>						
Current:						
Instruction	-	-	30,113	-	-	-
Community services	-	-	467,576	-	-	-
Food services	2,671,864	-	-	-	-	-
Athletics	-	661,348	-	-	-	-
Debt service:						
Principal	-	-	-	-	-	-
Interest and other	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Total expenditures	2,671,864	661,348	497,689	-	-	-
<b>Excess (Deficiency) of Revenue Over Expenditures</b>	53,066	(611,297)	60,581	4,726	-	-
<b>Other Financing Sources (Uses)</b>						
Transfers in	-	611,297	72,912	-	-	-
Transfers out	-	-	(156,693)	-	-	-
Face amount of refunding bonds	-	-	-	-	-	-
Premium on long-term debt issued	-	-	-	-	-	-
Other debt issuance costs	-	-	-	-	-	-
Payment to refunded bond escrow agent	-	-	-	-	-	-
Total other financing sources (uses)	-	611,297	(83,781)	-	-	-
<b>Net Change in Fund Balances (Deficit)</b>	53,066	-	(23,200)	4,726	-	-
<b>Fund Balances (Deficit) - Beginning of year</b>	107,540	-	156,693	65,530	40,705	30,887
<b>Fund Balances (Deficit) - End of year</b>	<u>\$ 160,606</u>	<u>\$ -</u>	<u>\$ 133,493</u>	<u>\$ 70,256</u>	<u>\$ 40,705</u>	<u>\$ 30,887</u>

**Other Supplemental Information**  
**Combining Statement of Revenue, Expenditures, and**  
**Changes in Fund Balances (Deficit) - Nonmajor Governmental Funds**  
**Year Ended June 30, 2007**

Debt Service Funds					Capital Projects Funds			
1994 Debt	1999 Debt	2003 Debt	2004 Debt	2007 Debt	Building and Site	2003 Bond Series II Capital Projects Fund	Public Improvements	Total
\$ -	\$ 1,351,686	\$ 1,560,948	\$ 5,283,767	\$ -	\$ 413	\$ 375,422	\$ 180	\$ 10,421,070
-	-	-	-	-	-	-	-	163,896
-	-	-	-	-	-	-	-	1,325,427
-	1,351,686	1,560,948	5,283,767	-	413	375,422	180	11,910,393
-	-	-	-	-	-	-	-	30,113
-	-	-	-	-	-	-	-	467,576
-	-	-	-	-	-	-	-	2,671,864
-	-	-	-	-	-	-	-	661,348
-	990,000	625,000	1,475,000	-	-	-	-	3,090,000
-	332,759	894,402	3,507,702	-	-	-	-	4,734,863
-	-	-	-	-	-	(102,473)	-	(102,473)
-	1,322,759	1,519,402	4,982,702	-	-	(102,473)	-	11,553,291
-	28,927	41,546	301,065	-	413	477,895	180	357,102
-	-	-	-	57,000	-	-	-	741,209
-	-	-	(57,000)	-	-	-	-	(213,693)
-	-	-	-	73,110,000	-	-	-	73,110,000
-	-	-	-	783,395	-	-	-	783,395
-	-	-	-	(445,348)	-	-	-	(445,348)
-	-	-	-	(73,505,047)	-	-	-	(73,505,047)
-	-	-	(57,000)	-	-	-	-	470,516
-	28,927	41,546	244,065	-	413	477,895	180	827,618
(29,468)	206,645	49,723	(15,692)	-	42,747	(556,112)	3,598	102,796
<u>\$ (29,468)</u>	<u>\$ 235,572</u>	<u>\$ 91,269</u>	<u>\$ 228,373</u>	<u>\$ -</u>	<u>\$ 43,160</u>	<u>\$ (78,217)</u>	<u>\$ 3,778</u>	<u>\$ 930,414</u>

# Southfield Public Schools

	Year Ended					
	Food Services			Athletics		
	Budget	Actual	Favorable (Unfavorable) Variance	Budget	Actual	Favorable (Unfavorable) Variance
<b>Revenues</b>						
Local sources	\$ 1,424,932	\$ 1,235,607	\$ (189,325)	\$ 50,000	\$ 50,051	\$ 51
State sources	167,502	163,896	(3,606)	-	-	-
Federal sources	1,016,413	1,325,427	309,014	-	-	-
Total revenues	2,608,847	2,724,930	116,083	50,000	50,051	51
<b>Expenditures</b>						
Instruction	-	-	-	-	-	-
Community service	-	-	-	-	-	-
Food services	2,608,847	2,671,864	(63,017)	-	-	-
Athletics	-	-	-	622,490	661,348	(38,858)
Total expenditures	2,608,847	2,671,864	(63,017)	622,490	661,348	(38,858)
<b>Excess of Revenues Over (Under)</b>						
Expenditures	-	53,066	53,066	(572,490)	(611,297)	(38,807)
<b>Other Financing Sources (Uses)</b>						
Transfers in	-	-	-	572,490	611,297	38,807
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	572,490	611,297	38,807
<b>Net Change in Fund Balances</b>	-	53,066	53,066	-	-	-
<b>Fund Balances - Beginning of year</b>	107,540	107,540	-	-	-	-
<b>Fund Balances - End of year</b>	\$ 107,540	\$ 160,606	\$ 53,066	\$ -	\$ -	\$ -

**Other Supplemental Information**  
**Nonmajor Special Revenue Funds**  
**Combining Schedule of Revenue, Expenditures, and**  
**Changes in Fund Balances - Budget and Actual**

June 30

2007

2006

Community Activities			Expendable Trust			Total Nonmajor Special Revenue Funds			Total Special Revenue Funds
Budget	Actual	Favorable (Unfavorable) Variance	Budget	Actual	Favorable (Unfavorable) Variance	Budget	Actual	Favorable (Unfavorable) Variance	Actual
\$ 605,470	\$ 558,270	\$ (47,200)	\$ -	\$ 4,726	\$ 4,726	\$ 2,080,402	\$ 1,848,654	\$ (231,748)	\$ 1,959,303
-	-	-	-	-	-	167,502	163,896	(3,606)	157,442
-	-	-	-	-	-	1,016,413	1,325,427	309,014	1,132,740
605,470	558,270	(47,200)	-	4,726	4,726	3,264,317	3,337,977	73,660	3,249,485
35,377	30,113	5,264	-	-	-	35,377	30,113	5,264	27,986
476,093	467,576	8,517	-	-	-	476,093	467,576	8,517	446,469
-	-	-	-	-	-	2,608,847	2,671,864	(63,017)	2,576,551
-	-	-	-	-	-	622,490	661,348	(38,858)	636,560
511,470	497,689	13,781	-	-	-	3,742,807	3,830,901	(88,094)	3,688,316
94,000	60,581	(33,419)	-	4,726	4,726	(478,490)	(492,924)	(14,434)	(438,831)
-	72,912	72,912	-	-	-	572,490	684,209	111,719	616,782
(94,000)	(156,693)	(62,693)	-	-	-	(94,000)	(156,693)	(62,693)	(204,334)
(94,000)	(83,781)	10,219	-	-	-	478,490	527,516	49,026	412,448
-	(23,200)	(23,200)	-	4,726	4,726	-	34,592	34,592	(26,383)
156,693	156,693	-	-	65,530	65,530	264,233	329,763	65,530	356,146
<u>\$ 156,693</u>	<u>\$ 133,493</u>	<u>\$ (23,200)</u>	<u>\$ -</u>	<u>\$ 70,256</u>	<u>\$ 70,256</u>	<u>\$ 264,233</u>	<u>\$ 364,355</u>	<u>\$ 100,122</u>	<u>\$ 329,763</u>

## Southfield Public Schools

	Year Ended			
				Bond
	1992 Debt Actual	1993 Debt Actual	1994 Debt Actual	1999 Debt Actual
<b>Revenue - Local sources</b>	\$ -	\$ -	\$ -	\$ 1,351,686
<b>Expenditures</b>				
Debt service principal	-	-	-	990,000
Debt service interest and other	-	-	-	332,759
Total expenditures	-	-	-	1,322,759
<b>Excess of Revenue Over (Under) Expenditures</b>	-	-	-	28,927
<b>Other Financing Sources (Uses)</b>				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Face amount of refunding bonds	-	-	-	-
Premium on long-term debt issued	-	-	-	-
Other debt issuance costs	-	-	-	-
Payment to refunded bond escrow agent	-	-	-	-
Total other financing uses	-	-	-	-
<b>Net Change in Fund Balances (Deficit)</b>	-	-	-	28,927
<b>Fund Balances (Deficit) - Beginning of year</b>	40,705	30,887	(29,468)	206,645
<b>Fund Balances (Deficit) - End of year</b>	<u>\$ 40,705</u>	<u>\$ 30,887</u>	<u>\$ (29,468)</u>	<u>\$ 235,572</u>

**Other Supplemental Information**  
**Debt Service Funds**  
**Combining Schedule of Revenue, Expenditures, and**  
**Changes in Fund Balances (Deficit) - Budget and Actual**

June 30						
2007						2006
Issues						
2003 Debt Actual	2004 Debt Actual	2007 Debt Actual	Total Debt Service Funds Actual	Total Debt Service Funds Budget	Favorable (Unfavorable) Variance	Total Debt Service Funds Actual
\$ 1,560,948	\$ 5,283,767	\$ -	\$ 8,196,401	\$ 7,752,534	\$ 443,867	\$ 7,702,545
625,000	1,475,000	-	3,090,000	3,090,000	-	2,900,000
894,402	3,507,702	-	4,734,863	4,723,175	(11,688)	4,827,566
<u>1,519,402</u>	<u>4,982,702</u>	<u>-</u>	<u>7,824,863</u>	<u>7,813,175</u>	<u>(11,688)</u>	<u>7,727,566</u>
41,546	301,065		371,538	(60,641)	432,179	(25,021)
-	-	57,000	57,000	-	57,000	-
-	(57,000)	-	(57,000)	-	(57,000)	-
-	-	73,110,000	73,110,000	-	73,110,000	-
-	-	783,395	783,395	-	783,395	-
-	-	(445,348)	(445,348)	-	(445,348)	-
-	-	(73,505,047)	(73,505,047)	-	(73,505,047)	-
-	(57,000)	-	(57,000)	-	(57,000)	-
41,546	244,065	-	314,538	(60,641)	375,179	(25,021)
49,723	(15,692)	-	282,800	282,800	-	307,821
<b>\$ 91,269</b>	<b>\$ 228,373</b>	<b>\$ -</b>	<b>\$ 597,338</b>	<b>\$ 222,159</b>	<b>\$ 375,179</b>	<b>\$ 282,800</b>

# Southfield Public Schools

## Other Supplemental Information Schedule of Bonded Indebtedness Year Ended June 30, 2007

	1999 Debt	2003 Debt	2004 Debt	2007 Debt
June 30	Principal	Principal	Principal	Principal
2008	\$ 1,040,000	\$ 650,000	\$ 1,500,000	\$ 520,000
2009	1,085,000	675,000	1,550,000	145,000
2010	1,140,000	700,000	1,600,000	150,000
2011	1,195,000	750,000	1,625,000	155,000
2012	1,255,000	775,000	1,675,000	170,000
2013	-	1,025,000	2,450,000	175,000
2014	-	-	2,575,000	1,205,000
2015	-	-	-	3,910,000
2016	-	-	-	4,075,000
2017	-	-	-	4,230,000
2018	-	-	-	4,385,000
2019	-	-	-	4,520,000
2020	-	-	-	4,645,000
2021	-	-	-	4,765,000
2022	-	-	-	4,885,000
2023	-	-	-	5,000,000
2024	-	-	-	5,120,000
2025	-	-	-	5,225,000
2026	-	-	-	5,335,000
2027	-	-	-	5,455,000
2028	-	-	-	4,515,000
2029	-	-	-	4,525,000
Total	<u>\$ 5,715,000</u>	<u>\$ 4,575,000</u>	<u>\$ 12,975,000</u>	<u>\$ 73,110,000</u>
Principal payments	May 1	May 1	May 1	May 1
Interest payments	May 1 and November 1	May 1 and November 1	May 1 and November 1	May 1 and November 1
Interest rate	4.8% to 5.1%	2.7% to 4.5%	3.25% to 5.00%	4.00% to 5.0%
Original issue	<u>\$ 9,350,000</u>	<u>\$ 21,000,000</u>	<u>\$ 73,170,000</u>	<u>\$ 73,110,000</u>



## Southfield Public Schools

### Capital Assets Schedule of Capital Assets by Source June 30, 2007

#### Capital Assets

Land	\$ 8,116,352
Construction in progress	84,699,815
Buildings and building improvements	70,810,111
Vehicles, equipment, and furniture	<u>24,997,981</u>
Total	<u>\$ 188,624,259</u>

#### Investment in Capital Assets

Transfer of assets from consolidation of school districts	\$ 617,240
General Fund	11,228,435
Special Revenue Funds	1,839,330
Capital Projects Funds	<u>174,939,254</u>
Total	<u>\$ 188,624,259</u>

## **Statistical and Other Information (Unaudited)**

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# Southfield Public Schools

## Net Assets by Component Fiscal Year Ended June 30 (Unaudited)

	June 30					
	2002	2003	2004	2005	2006	2007
<b>Governmental Activities</b>						
Invested in capital assets - Net of related debt	\$ 13,736,708	\$ 17,972,187	\$ 28,750,268	\$ 26,517,927	\$ 28,699,976	\$ 33,244,013
Restricted	451,575	1,220,412	434,306	307,821	282,800	597,338
Unrestricted	8,642,058	9,951,725	10,147,501	10,906,664	7,409,200	(1,105,077)
 Total primary government net assets	 <u>\$ 22,830,341</u>	 <u>\$ 29,144,324</u>	 <u>\$ 39,332,075</u>	 <u>\$ 37,732,412</u>	 <u>\$ 36,391,976</u>	 <u>\$ 32,736,274</u>

Note: This schedule includes all periods subsequent to the adoption of GASB No. 34.

Source: Southfield Public Schools financial statements

# Southfield Public Schools

## Changes in Governmental Net Assets Fiscal Year Ended June 30 (Unaudited)

	June 30					
	2002	2003	2004	2005	2006	2007
<b>Expenses</b>						
Governmental activities:						
Instruction	\$ 66,564,006	\$ 73,108,790	\$ 73,453,451	\$ 74,016,618	\$ 76,568,268	\$ 79,917,621
Support services	46,624,528	50,071,557	56,336,852	60,567,442	61,392,912	62,102,166
Food services	2,356,625	2,576,278	2,506,093	2,672,873	2,591,494	2,684,774
Athletics	660,172	617,003	615,625	613,423	641,541	665,651
Community services	1,892,072	1,600,058	1,107,062	969,212	982,156	842,346
Interest on long-term debt	1,391,055	1,103,592	1,928,084	4,822,662	4,933,062	4,913,980
Depreciation (unallocated)	2,486,501	-	-	-	-	-
Total governmental activities	121,974,959	129,077,278	135,947,167	143,662,230	147,109,433	151,126,538
Program revenues:						
Charges for services	3,582,310	3,841,324	3,160,647	2,569,348	2,721,790	2,309,999
Operating grants and contributions	13,389,782	14,393,710	22,172,399	21,157,893	25,709,507	28,852,254
Total program revenue	16,972,092	18,235,034	25,333,046	23,727,241	28,431,297	31,162,253
Net expenses	(105,002,867)	(110,842,244)	(110,614,121)	(119,934,989)	(118,678,136)	(119,964,285)
<b>General Revenues</b>						
Property taxes	67,031,795	70,138,881	73,266,797	71,054,626	73,039,340	73,741,606
State aid not restricted to specific purposes	42,696,918	45,864,598	46,421,933	44,205,086	41,486,414	39,285,983
Investment earnings	696,864	440,090	700,877	2,641,724	2,412,658	1,991,661
Other	476,659	712,658	412,265	433,890	399,288	1,289,333
Total general revenues	110,902,236	117,156,227	120,801,872	118,335,326	117,337,700	116,308,583
<b>Special Item</b>	11,671	-	-	-	-	-
Change in net assets	\$ 5,911,040	\$ 6,313,983	\$ 10,187,751	\$ (1,599,663)	\$ (1,340,436)	\$ (3,655,702)

Note: This schedule includes all periods subsequent to the adoption of GASB No. 34.

Source: Southfield Public Schools financial statements

## Southfield Public Schools

	June 30			
	1998	1999	2000	2001
General Fund:				
Reserved	\$ 2,520,253	\$ 11,936,771	\$ 12,838,213	\$ 758,269
Unreserved	<u>12,942,965</u>	<u>10,299,622</u>	<u>9,675,228</u>	<u>16,463,227</u>
Total General Fund	<u>\$ 15,463,218</u>	<u>\$ 22,236,393</u>	<u>\$ 22,513,441</u>	<u>\$ 17,221,496</u>
All other governmental funds:				
Reserved	\$ 9,383,327	\$ 1,911,372	\$ 1,884,397	\$ (1,110,514)
Unreserved, reported in:				
Special Revenue Funds	627,523	1,050,543	1,034,665	455,123
Capital Project Funds	-	-	-	281,727
Debt Service Funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>126,744</u>
Total all other governmental funds	<u>\$ 10,010,850</u>	<u>\$ 2,961,915</u>	<u>\$ 2,919,062</u>	<u>\$ (246,920)</u>

Note: In 1998, a \$5.9 million Durant settlement was received from the State of Michigan.

In 2001, requested federal funds were not received within 60 days of the fiscal year end, causing a negative fund equity. Bonds were issued in 2003 and 2004.

Source: Southfield Public Schools financial statements

**Fund Balances - Governmental Funds**  
**Last Ten Fiscal Years**  
(Unaudited)

June 30					
2002	2003	2004	2005	2006	2007
\$ 216,261	\$ 2,305,418	\$ 184,584	\$ 731,363	\$ 159,335	\$ 3,062,603
<u>18,988,824</u>	<u>19,821,786</u>	<u>24,771,541</u>	<u>21,657,309</u>	<u>18,150,229</u>	<u>9,792,875</u>
<b><u>\$ 19,205,085</u></b>	<b><u>\$ 22,127,204</u></b>	<b><u>\$ 24,956,125</u></b>	<b><u>\$ 22,388,672</u></b>	<b><u>\$ 18,309,564</u></b>	<b><u>\$ 12,855,478</u></b>
\$ 87,463	\$ 2,543,109	\$ 76,993,307	\$ 43,637,386	\$ 30,215,035	\$ 14,807,598
523,156	1,217,824	857,643	209,829	(130,298)	221,767
41,942	16,228,831	-	-	-	-
<u>451,575</u>	<u>1,220,412</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b><u>\$ 1,104,136</u></b>	<b><u>\$ 21,210,176</u></b>	<b><u>\$ 77,850,950</u></b>	<b><u>\$ 43,847,215</u></b>	<b><u>\$ 30,084,737</u></b>	<b><u>\$ 15,029,365</u></b>

## Southfield Public Schools

	Year Ended June 30			
	1998	1999	2000	2001
<b>Revenue</b>				
Local revenue	\$ 64,102,740	\$ 67,824,677	\$ 70,835,554	\$ 67,879,991
State revenue	46,915,639	39,507,012	42,143,609	41,942,386
Federal revenue	4,286,284	4,509,226	4,246,462	4,123,792
Interdistrict revenue	436,083	1,703,209	470,115	352,245
Total revenue	115,740,746	113,544,124	117,695,740	114,298,414
<b>Expenditures</b>				
Current:				
Instruction	56,977,327	58,832,894	61,739,520	63,712,632
Support services	39,841,418	41,543,424	44,284,760	48,071,236
Community services	1,763,869	1,895,195	1,964,967	1,892,457
Food services	2,016,282	2,093,935	2,204,164	2,204,164
Athletics	778,006	787,488	804,937	804,937
Debt service:				
Principal	3,775,000	4,075,000	4,485,000	2,650,000
Interest	1,985,550	1,821,750	1,519,214	583,750
Other	1,575	1,575	551,633	399
Capital outlay	1,535,282	1,659,479	1,950,000	1,687,039
Total expenditures	108,674,309	112,710,740	119,504,195	121,606,614
<b>Excess of Revenue Over (Under) Expenditures</b>	7,066,437	833,384	(1,808,455)	(7,308,200)
<b>Other Financing Sources (Uses)</b>				
Debt issuance	-	-	-	-
Debt premium or discount	-	-	-	-
Sale of fixed assets	-	-	-	-
Debt defeasance	-	-	-	-
Other debt issuance costs	-	-	-	-
Transfers in	8,450,958	8,387,561	1,178,645	1,752,121
Transfers out	(8,450,958)	(9,496,705)	(1,178,645)	(1,101,339)
Total other financing sources (uses)	-	(1,109,144)	-	650,782
<b>Net Change in Fund Balances</b>	7,066,437	(275,760)	(1,808,455)	(6,657,418)
<b>Fund Balances - Beginning of year</b>	18,407,631	25,474,068	25,198,308	23,389,853
<b>Fund Balances - End of year</b>	<b>\$ 25,474,068</b>	<b>\$ 25,198,308</b>	<b>\$ 23,389,853</b>	<b>\$ 16,732,435</b>
Debt service as a percentage of noncapital expenditures	5.68%	5.61%	5.91%	2.77%

Note: State revenue in 1998 includes \$5.9 million Durant settlement from State of Michigan.

Source: Southfield Public Schools financial statements

**Changes in Fund Balances - Governmental Funds**  
**Last Ten Fiscal Years**  
(Unaudited)

Year Ended June 30					
2002	2003	2004	2005	2006	2007
\$ 72,133,826	\$ 75,250,553	\$ 76,560,502	\$ 76,960,952	\$ 79,124,470	\$ 80,224,842
46,586,504	49,272,571	50,965,662	48,701,617	49,092,805	47,300,936
6,097,928	5,505,494	4,907,981	5,128,615	5,726,371	6,602,948
4,180,645	4,967,968	12,592,771	11,087,791	11,888,338	12,289,450
128,998,903	134,996,586	145,026,916	141,878,975	145,831,984	146,418,176
66,456,524	70,324,432	69,829,165	71,448,799	75,968,528	76,485,604
46,926,546	47,753,332	50,195,180	51,586,307	53,742,613	52,903,102
1,892,072	1,532,494	1,018,690	885,618	902,460	773,494
2,356,625	2,555,259	2,488,618	2,657,019	2,576,551	2,671,864
660,172	612,033	611,397	608,199	636,560	661,348
5,185,000	5,674,041	6,530,220	3,258,720	3,326,172	3,272,592
1,225,273	995,001	1,835,733	4,754,055	4,845,815	4,739,784
2,299	332,362	5,187,695	6,101,879	6,889,337	7,062,374
1,663,968	4,255,908	23,344,540	37,153,922	15,903,499	18,300,472
126,368,479	134,034,862	161,041,238	178,454,518	164,791,535	166,870,634
2,630,424	961,724	(16,014,322)	(36,575,543)	(18,959,551)	(20,452,458)
625,000	21,700,000	73,170,000	-	-	73,110,000
-	358,028	2,314,017	-	-	783,395
11,671	8,407	-	4,355	1,117,965	-
-	-	-	-	-	(73,505,047)
-	-	-	-	-	(445,348)
999,225	1,129,803	5,691,348	1,124,582	821,116	897,902
(992,326)	(1,129,803)	(5,691,348)	(1,124,582)	(821,116)	(897,902)
643,570	22,066,435	75,484,017	4,355	1,117,965	(57,000)
3,273,994	23,028,159	59,469,695	(36,571,188)	(17,841,586)	(20,509,458)
17,035,227	20,309,221	43,337,380	102,807,075	66,235,887	48,394,301
<b>\$ 20,309,221</b>	<b>\$ 43,337,380</b>	<b>\$ 102,807,075</b>	<b>\$ 66,235,887</b>	<b>\$ 48,394,301</b>	<b>\$ 27,884,843</b>
5.42%	5.70%	10.92%	11.10%	11.25%	11.29%



## Southfield Public Schools

Taxable Value by Property Type							
Real Property (Original Warrant)							
	Tax Year	Residential	Commercial	Industrial	Agricultural and Other	Personal Property	Total Value
FY1998	1997	\$ 969,560,426	\$ 971,116,430	\$ 41,787,710	\$ -	\$ 448,290,050	\$ 2,430,754,616
FY1999	1998	1,014,152,425	1,060,490,400	42,014,240	-	514,092,544	2,630,749,609
FY2000	1999	1,054,947,840	1,103,785,480	42,402,180	-	543,892,060	2,745,027,560
FY2001	2000	1,109,195,780	1,214,309,666	45,970,300	-	480,042,210	2,849,517,956
FY2002	2001	1,194,681,100	1,265,836,558	50,645,360	-	498,351,010	3,009,514,028
FY2003	2002	1,280,672,500	1,335,946,485	51,864,240	-	504,559,880	3,173,043,105
FY2004	2003	1,343,701,035	1,360,622,375	54,459,970	-	444,564,240	3,203,347,620
FY2005	2004	1,420,386,419	1,402,769,885	59,115,430	-	433,482,870	3,315,754,604
FY2006	2005	1,492,893,962	1,432,264,850	59,595,840	-	425,114,380	3,409,869,032
FY2007	2006	1,574,741,490	1,481,797,627	55,183,980	-	422,059,390	3,533,782,487

\* Under Michigan law, the revenue base is taxable value. Taxes levied in a particular "tax year" become revenue of the subsequent fiscal year

Source: Municipal Assessing Offices and Oakland County Equalization Department

**Taxable Value and Actual Value of Taxable Property**  
**Last Ten Fiscal Years**  
(Unaudited)

Taxable Value by Property Type			Tax Rate (Mills)	Estimated Actual Value (SEV)	Original Taxable Value as a %
Certified Warrant at Fiscal Year End					of SEV
Non-homestead	Homestead	Total			
\$ 1,519,631,275	\$ 885,522,360	\$ 2,405,153,635	24.2460	N/A	-
1,691,345,060	924,140,668	2,615,485,728	23.8814	N/A	-
1,769,683,316	969,049,154	2,738,732,470	23.6651	N/A	-
1,800,885,006	1,014,872,760	2,815,757,766	22.7971	\$ 3,239,755,066	87.95
1,886,401,464	1,089,505,049	2,975,906,513	22.9094	3,599,694,950	83.60
1,980,242,060	1,165,800,603	3,146,042,663	22.8945	3,847,186,540	82.48
1,981,629,754	1,207,149,136	3,188,778,890	22.8945	3,847,514,860	83.26
2,037,326,316	1,266,506,942	3,303,833,258	21.8945	3,953,606,450	83.87
2,081,187,935	1,313,844,587	3,395,032,522	21.8925	4,160,312,927	81.96
2,142,750,885	1,371,485,752	3,514,236,637	21.8925	4,214,130,900	83.86

## Southfield Public Schools

Tax Year	Fiscal Year Ended June 30	Millage Rates - Direct School District Taxes					Overlapping Taxes		
		Operating		Debt*	Total Direct Taxes		County	Community College	Intermediate School District
		Homestead	Non- homestead		Homestead	Non- homestead			
1997	1998	21.8840	21.8840	2.3620	24.2460	24.2460	4.8180	1.6522	2.1294
1998	1999	21.6214	21.6214	2.2600	23.8814	23.8814	4.6564	1.6456	2.1208
1999	2000	21.4051	21.4051	2.2600	23.6651	23.6651	4.6522	1.6295	2.0998
2000	2001	20.7971	20.7971	2.0000	22.7971	22.7971	4.6478	1.6109	2.0752
2001	2002	20.6494	20.6494	2.2600	22.9094	22.9094	4.6438	1.5952	3.4526
2002	2003	20.6345	20.6345	2.2600	22.8945	22.8945	4.6523	1.6090	3.4224
2003	2004	20.6345	20.6345	2.2600	22.8945	22.8945	4.6497	1.5983	3.3991
2004	2005	19.6345	19.6345	2.2600	21.8945	21.8945	4.6476	1.5889	3.3789
2005	2006	19.6325	19.6325	2.2600	21.8925	21.8925	4.6461	1.5844	3.3690
2006	2007	19.6325	19.6325	2.2600	21.8925	21.8925	4.6461	1.5844	3.3690

\* Debt fund millages apply to homestead and non-homestead property

\*\* Suburban Mobility Authority Regional Transportation (Note: The SMART rate is included in the city, village, and township rates)

Source: Municipal Assessing Offices and Oakland County Equalization Department

**Direct and Overlapping Property Tax Rates**  
**Year Ended June 30, 2007**  
(Unaudited)

Overlapping Taxes				
State Education	City of Lathrup Village	Township of Southfield	City of Southfield	SMART**
6.0000	18.7615	0.9300	16.7921	0.3300
6.0000	20.2486	0.9300	18.5573	0.3300
6.0000	19.9715	0.9270	18.3504	0.3270
6.0000	19.9705	0.9236	18.7262	0.3236
6.0000	19.9639	0.9207	18.5405	0.3207
6.0000	19.4232	1.1500	18.7087	0.6000
5.0000	19.3963	1.1474	18.8928	0.5974
6.0000	21.2529	1.1462	18.8723	0.5962
6.0000	21.1425	1.1450	18.8712	0.5950
6.0000	21.0720	1.1400	18.8662	0.5900

## Southfield Public Schools

### Principal Property Taxpayers Year Ended June 30, 2007 (Unaudited)

Taxpayer	2006 Taxable Value	Percentage of Total	1997 Taxable Value	Percentage of Total
BRE Southfield, LLC (formerly Prudential Town Center)	\$ 110,172,230	3.13	\$ 86,563,900	3.60
FCN Associates-Galleria III	54,441,620	1.55	35,248,820	1.46
Liberty Properties	36,374,680	1.03	30,064,550	1.25
Allied Phase One Venture	32,835,460	0.93	34,766,880	1.45
Detroit Edison	28,731,480	0.82	37,592,949	1.56
American Center	28,552,820	0.81	-	-
Tel-Twelve	23,236,410	0.66	-	-
Teachers MI Properties	20,585,900	0.59	-	-
Nippondenson Sales Inc.	19,696,730	0.56	-	-
New Par/Verizon Wireless	19,217,200	0.55	-	-
Ameritech Services Inc.	-	-	29,452,500	1.22
Hartman & Tyner Inc.	15,428,990	0.44	26,823,290	1.12
BASF Corporation	17,823,890	0.51	24,248,180	1.01
IBM Credit Corporation	-	-	20,889,470	0.87
WRC Properties Incorp.	-	-	23,097,930	0.96
Total principal taxpayers	407,097,410	11.58	348,748,469	14.50
Balance of Southfield Public Schools valuations	3,107,139,227	88.42	2,056,405,166	85.50
Total	<u>\$ 3,514,236,637</u>	<u>100.00</u>	<u>\$ 2,405,153,635</u>	<u>100.00</u>

Source: Municipal Assessing Offices and Oakland County Equalization Department

## Southfield Public Schools

### Property Tax Levies and Collections Last Ten Fiscal Years (Unaudited)

Tax Year	Fiscal Year Ended June 30	Total Levy	Current Collections	Percent Collected	Delinquent Collections	Total Tax Collections	Percent of Levy Collected
1997	1998	\$ 58,382,448	\$ 57,446,067	98.40	\$ (50,977)	\$ 57,395,090	98.31
1998	1999	62,321,346	61,516,547	98.71	112,287	61,628,834	98.89
1999	2000	64,451,116	63,957,036	99.23	109,235	64,066,271	99.40
2000	2001	64,301,168	62,906,459	97.83	20,558	62,927,017	97.86
2001	2002	68,264,434	66,820,502	97.88	(29,817)	66,790,685	97.84
2002	2003	71,965,960	70,389,715	97.81	107,287	70,497,002	97.96
2003	2004	72,669,477	71,672,287	98.63	119,132	71,791,419	98.79
2004	2005	71,856,561	67,295,384	93.65	125,593	67,420,977	93.83
2005	2006	73,641,990	72,687,406	98.70	5,672	72,693,078	98.71
2006	2007	76,106,886	75,130,780	98.72	-	75,130,780	98.72

Note: Current collections are at the end of the various fiscal years.

Oakland County pays the School District the balance of the uncollected real property taxes at the end of the fiscal year. If, after three years, the county has not collected the tax from the taxpayer, the School District must pay the amount back to the county.

Source: Municipal Assessing Offices and Oakland County Equalization Department

## Southfield Public Schools

	1998	1999	2000	2001
<b>Governmental Activities</b>				
General obligation bonds	\$ 36,475,000	\$ 32,400,000	\$ 30,040,000	\$ 25,230,000
Installment purchase agreements	-	-	-	-
Total debt of the district	<u>\$ 36,475,000</u>	<u>\$ 32,400,000</u>	<u>\$ 30,040,000</u>	<u>\$ 25,230,000</u>
Total residential personal income	\$ 23,765,000	\$ 24,249,000	\$ 25,291,000	\$ 27,023,000
Ratio of total debt to personal income	153%	134%	119%	93%
Taxable value	\$ 2,405,153,635	\$ 2,615,485,728	\$ 2,738,732,470	\$ 2,815,757,766
Net general bonded obligation debt as a percentage of taxable value	2%	1%	1%	1%
Total population	75,728	75,728	75,728	78,296
Total debt per capita	\$ 482	\$ 428	\$ 397	\$ 322

Source: Population and personal income data obtained from the City of Southfield

**Ratios of Bonded Debt Outstanding**  
**Last Ten Fiscal Years**  
(Unaudited)

2002	2003	2004	2005	2006	2007
\$ 20,045,000	\$ 35,520,000	\$ 104,786,304	\$ 101,843,743	\$ 98,851,182	\$ 94,484,029
625,000	1,175,959	855,739	608,763	182,591	-
<b>\$ 20,670,000</b>	<b>\$ 36,695,959</b>	<b>\$ 105,642,043</b>	<b>\$ 102,452,506</b>	<b>\$ 99,033,773</b>	<b>\$ 94,484,029</b>
\$ 27,023,000	\$ 27,512,000	\$ 23,486,000	\$ 21,990,000	\$ 22,501,000	\$ 28,494,000
76%	133%	450%	466%	440%	332%
\$ 2,975,906,513	\$ 3,146,042,663	\$ 3,188,778,890	\$ 3,303,833,258	\$ 3,395,032,522	\$ 3,514,236,637
1%	1%	3%	3%	3%	3%
78,296	78,296	78,296	78,296	78,296	78,296
\$ 264	\$ 469	\$ 1,349	\$ 1,309	\$ 1,265	\$ 1,207



## Southfield Public Schools

Fiscal Year	General Obligation Bonds	Other General Obligation Debt	Total General Obligation Debt	Taxable Value	Net General Bonded Debt as a Percentage of Taxable Value	Total Debt as a Percentage of Taxable Value
1998	\$ 36,475,000	\$ -	\$ 36,475,000	\$ 2,405,153,635	2%	2%
1999	32,400,000	-	32,400,000	2,615,485,728	1%	1%
2000	30,040,000	-	30,040,000	2,738,732,470	1%	1%
2001	25,230,000	-	25,230,000	2,815,757,766	1%	1%
2002	20,045,000	625,000	20,670,000	2,975,906,513	1%	1%
2003	35,520,000	1,175,959	36,695,959	3,146,042,663	1%	1%
2004	104,786,304	855,739	105,642,043	3,188,778,890	3%	3%
2005	101,843,743	608,763	102,452,506	3,303,833,258	3%	3%
2006	98,851,182	182,591	99,033,773	3,395,032,522	3%	3%
2007	94,484,029	-	94,484,029	3,514,236,637	3%	3%

Source: Population information obtained from the City of Southfield

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**General Obligation Bonds Outstanding  
Last Ten Fiscal Year  
(Unaudited)**

Population	Net General Bonded Debt per Capita	Total Debt per Capita
75,728	\$ 482	481.6580393
75,728	428	427.8470315
75,728	397	396.682865
78,296	322	322.238684
78,296	256	263.9981608
78,296	454	468.6824231
78,296	1,338	1349.264879
78,296	1,301	1308.527971
78,296	1,263	1264.863761
78,296	1,207	1206.754228

## Southfield Public Schools

### Direct and Overlapping Governmental Activities Debt June 30, 2007 (Unaudited)

Governmental Unit	Debt Outstanding	Estimated % Applicable	Estimated Share of Overlapping Debt
<b>Direct Debt - General obligation bonds</b>	<b>\$ 96,375,000</b>	<b>100.00%</b>	<b>\$ 96,375,000</b>
<b>Overlapping Debt</b>			
City of Southfield	45,924,086	92.89%	42,658,883
City of Lathrup Village	1,716,351	100.00%	1,716,351
Township of Southfield	-	0.09%	-
County of Oakland	106,286,871	5.79%	6,154,010
Oakland ISD	55,185,000	5.81%	3,206,249
Oakland County Community College	<u>8,995,000</u>	<u>5.83%</u>	<u>524,409</u>
Total overlapping debt	<u>218,107,308</u>		<u>54,259,902</u>
Total direct and overlapping debt	<u><b>\$ 314,482,308</b></u>		<u><b>\$ 150,634,902</b></u>

Source: Municipal Advisory Council of Michigan

## Southfield Public Schools

	1998	1999	2000	2001
<b>Calculation of Debt Limit</b>				
Taxable value	\$ 2,405,153,635	\$ 2,738,732,470	\$ 2,738,732,470	\$ 2,815,757,766
15% of taxable value	360,773,045	410,809,871	410,809,871	422,363,665
<b>Calculation of Debt Subject to Limit</b>				
Total debt	36,475,000	32,400,000	30,040,000	25,230,000
Less debt not subject to limit - State qualified debt issuance	-	-	-	-
Net debt subject to limit	36,475,000	32,400,000	30,040,000	25,230,000
<b>Legal Debt Margin</b>	<b><u>\$ 324,298,045</u></b>	<b><u>\$ 378,409,871</u></b>	<b><u>\$ 380,769,871</u></b>	<b><u>\$ 397,133,665</u></b>
<b>Net Debt Subject to Limit as Percent of Debt Limit</b>	10.11%	7.89%	7.31%	5.97%

Source: Municipal Assessing Offices, Oakland County Equalization, and Southfield Public Schools

**Legal Debt Margin**  
**Last Ten Fiscal Years**  
(Unaudited)

2002	2003	2004	2005	2006	2007
\$ 2,975,906,513	\$ 3,146,042,663	\$ 3,188,778,890	\$ 3,303,833,258	\$ 3,395,032,522	3,514,236,637
446,385,977	471,906,399	478,316,834	495,574,989	509,254,878	527,135,496
20,045,000	35,520,000	102,480,000	99,630,000	96,730,000	96,375,000
-	-	-	-	-	-
20,045,000	35,520,000	102,480,000	99,630,000	96,730,000	96,375,000
<u>\$ 426,340,977</u>	<u>\$ 436,386,399</u>	<u>\$ 375,836,834</u>	<u>\$ 395,944,989</u>	<u>\$ 412,524,878</u>	<u>\$ 430,760,496</u>
4.49%	7.53%	21.43%	20.10%	18.99%	18.28%

## Southfield Public Schools

### Demographic and Economic Statistics Last Ten Fiscal Years (Unaudited)

<u>Fiscal Year</u>	<u>Population</u>	<u>Total Personal Income (in thousands)</u>	<u>Per Capita Personal Income (A)</u>	<u>Unemployment Rate (B)</u>
1998	75,728	\$ 23,765	\$ 314	4.1
1999	75,728	24,249	320	3.6
2000	75,728	25,291	334	3.0
2001	78,296	27,023	345	2.5
2002	78,296	27,023	345	4.6
2003	78,296	27,512	351	5.2
2004	78,296	23,486	300	5.5
2005	78,296	21,990	281	7.9
2006	78,296	22,501	287	7.2
2007	78,296	28,494	364	8.6

Source:

(A) Per capita income is SMM's effective buying income divided by the population estimates.

(B) Michigan Employment Security Agency

## Southfield Public Schools

	2007	2006	2005	2004	2003	2002
	Employees	Employees	Employees	Employees	Employees	Employees
Providence Hospital	3,600	Rank: 1	N/A	N/A	4,556	4,556
Blue Cross/Blue Shield of Michigan	2,750	Rank: 3	N/A	N/A	2,362	2,362
Lear Corporation	1,600	Rank: 5	N/A	N/A	1,400	1,400
Southfield Public School District	1,386	Rank: 8	N/A	N/A	1,489	1,491
Blue Care Network	1,000	N/A	N/A	N/A	N/A	N/A
Federal Mogul Corporation	1,000	Rank: 9	N/A	N/A	N/A	1,000
DENSO	803	N/A	N/A	N/A	N/A	N/A
Verizon Wireless	700	N/A	N/A	N/A	N/A	N/A
Metropolitan Life	675	N/A	N/A	N/A	N/A	N/A
Comcast	650	N/A	N/A	N/A	N/A	N/A
International Business Machines	N/A	Rank: 7	N/A	N/A	1,056	1,056
Arcadia Services, Inc.	N/A	Rank: 6	N/A	N/A	N/A	N/A
Questor Partners Holdings	N/A	Rank: 4	N/A	N/A	N/A	N/A
Human Capital LLC	N/A	Rank: 2	N/A	N/A	N/A	N/A
City of Southfield	N/A	Rank: 10	N/A	N/A	833	833
SBC Communication/Ameritech	N/A	N/A	N/A	N/A	1,200	1,200
CitiMortgage	N/A	N/A	N/A	N/A	1,000	N/A
Barton Malow	N/A	N/A	N/A	N/A	768	768
BASF Corporation	N/A	N/A	N/A	N/A	760	N/A
Electronic Data Systems	N/A	N/A	N/A	N/A	N/A	942
Thorn Apple Valley	N/A	N/A	N/A	N/A	N/A	N/A
Guardian Alarm	N/A	N/A	N/A	N/A	N/A	N/A
Manpower Temporary Services	N/A	N/A	N/A	N/A	N/A	N/A
Total principal employers	<u>14,164</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>15,424</u>	<u>15,608</u>
Total employment	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

Note: Data is not collected yearly and is therefore not available for the years 1997, 1999, 2001, and 2005. For 2006, the data was not reported with the numbers of employees, just the organization's ranking.

Source: City of Southfield and Oakland County Planning and Economic Development Services

**Principal Employers**  
(Unaudited)

2001 Employees	2000 Employees	1999 Employees	1998 Employees
N/A	4,556	N/A	2,767
N/A	2,362	N/A	3,280
N/A	1,380	N/A	N/A
N/A	1,456	N/A	1,312
N/A	N/A	N/A	N/A
N/A	1,000	N/A	N/A
N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A
N/A	1,000	N/A	800
N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A
N/A	815	N/A	N/A
N/A	1,400	N/A	1,943
N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A
N/A	1,000	N/A	N/A
N/A	942	N/A	945
N/A	N/A	N/A	1,770
N/A	N/A	N/A	1,753
N/A	N/A	N/A	800
<b>N/A</b>	<b>15,911</b>	<b>N/A</b>	<b>15,370</b>
<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>



## Southfield Public Schools

### Full-time Equivalent School District Employees Last Ten Fiscal Years (Unaudited)

Function/Program	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
General government:										
Instruction	650	659	684	681	704	711	693	686	694	748
Support services	450	459	481	574	587	594	592	587	577	585
Community service	N/A	N/A	48	48	47	47	47	47	47	18
Athletics	N/A	N/A	1	1	1	1	1	1	1	-
Food service	N/A	N/A	49	54	54	54	54	54	54	35
Total	<u>1,100</u>	<u>1,118</u>	<u>1,263</u>	<u>1,358</u>	<u>1,393</u>	<u>1,407</u>	<u>1,387</u>	<u>1,375</u>	<u>1,373</u>	<u>1,386</u>

Source: Southfield Public Schools

## Southfield Public Schools

### Operating Indicators Last Ten Fiscal Years (Unaudited)

Year	Enrollment	General Fund		General Fund		Total Teaching Staff	Percentage of Students	Average Teacher Salary (B)
		Operating Expenditures	Cost per Pupil	Operating Revenues	Revenue per Pupil		Qualifying for Free/Reduced Meals (A)	
1998	9,439.21	\$ 91,920,904	\$ 9,738.20	\$ 102,701,816	\$ 10,880.34	650	31.4	\$ 61,983
1999	9,635.94	95,564,858	9,917.54	98,123,024	10,183.03	659	26.2	60,292
2000	9,572.36	102,292,078	10,686.19	103,583,557	10,821.11	684	26.0	59,773
2001	9,439.68	107,979,156	11,438.86	103,215,074	10,934.17	681	27.4	65,223
2002	9,738.50	110,076,182	11,303.20	112,408,527	11,542.69	704	30.2	66,893
2003	10,194.14	115,868,405	11,366.18	118,943,142	11,667.80	711	32.6	68,658
2004	10,260.43	122,642,505	11,952.96	129,277,642	12,599.63	693	30.7	70,748
2005	10,042.33	127,269,467	12,673.30	124,852,689	12,432.64	686	30.6	74,078
2006	9,901.53	131,988,972	13,330.16	128,301,991	12,957.79	694	35.8	72,777
2007	9,497.30	131,921,391	13,890.41	126,994,821	13,371.68	606	38.3	N/A

Note: Enrollment figures per State of Michigan State Aid blended count

(A) Free and reduced percentage is based on the fall pupil count date.

(B) Average teacher salary is from the Michigan Department of Education, Bulletin 1014 (1997 and 1998 reflect corrections).

Source: Southfield Public Schools

# Southfield Public Schools

Function/Program	1998	1999	2000	2001	2002	2003
Instructional buildings:						
Elementary:						
Number of buildings	10	10	10	10	10	11
Square footage	595,690	595,690	595,690	595,690	595,690	605,690
Capacity - Maximum	6,100	6,100	6,100	6,100	6,100	6,200
Enrollment	4,409	4,450	4,326	4,320	4,519	4,678
Middle:						
Number of buildings	3	3	3	3	3	3
Square footage	322,438	322,438	322,438	322,438	322,438	322,438
Capacity - Maximum	3,050	3,050	3,050	3,050	3,050	3,050
Enrollment	2,210	2,237	2,246	2,188	2,241	2,333
High:						
Number of buildings	3	3	3	3	3	3
Square footage	707,257	707,257	707,257	707,257	707,257	707,257
Capacity - Maximum	5,851	5,851	5,851	5,851	5,851	5,851
Enrollment	2,908	2,950	2,921	2,874	3,041	3,251
Other:						
Number of buildings	1	1	1	2	2	1
Square footage	37,800	37,800	37,800	47,800	47,800	37,800
Capacity - Maximum	550	550	550	650	650	550
Enrollment	31	39	43	53	43	37
Administrative:						
Number of buildings	1	1	1	1	1	1
Square footage	36,855	36,855	36,855	36,855	36,855	36,855
Transportation - Number of garages:						
Buses - Regular ed	59	55	54	56	57	55
Buses - Special ed	22	23	23	28	34	40
Total buses	<u>81</u>	<u>78</u>	<u>77</u>	<u>84</u>	<u>91</u>	<u>95</u>
Athletics:						
Athletic fields	6	6	6	6	6	6
Running tracks	2	2	2	2	2	2
Baseball/Softball	21	21	21	22	22	22
Swimming pools	2	2	2	2	2	2
Playgrounds	11	11	11	12	12	12

Source: Southfield Public Schools

Note: One of the high schools is an alternative high school with square footage of 10,560 through 2003 and 48,735 in 2004 and forward.

Enrollment is based on the fall pupil count date.

Bus count is per the SE4094 transportation report.

Football and soccer fields are the same field.

**Capital Asset Information**  
**Last Ten Fiscal Years**  
(Unaudited)

2004	2005	2006	2007
10	10	11	11
595,690	595,690	609,380	609,380
6,100	6,100	6,500	6,500
4,149	4,033	3,744	3,652
3	3	3	3
322,438	322,438	322,440	322,440
3,050	3,050	3,509	3,509
2,722	2,278	2,529	2,286
3	3	3	3
745,432	745,432	840,735	840,735
6,226	6,226	7,500	7,500
3,364	3,618	3,564	3,450
1	1	1	1
37,800	37,800	42,587	42,587
550	550	550	550
42	57	51	31
2	2	1	1
46,855	46,855	36,855	36,855
1	1	1	1
55	54	55	55
40	42	42	42
<b>95</b>	<b>96</b>	<b>97</b>	<b>97</b>
6	6	6	6
2	2	2	2
24	24	24	24
2	2	2	2
12	12	12	12

# **Southfield Public Schools**

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**Federal Awards  
Supplemental Information  
June 30, 2007**

# Southfield Public Schools

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## Independent Auditor's Report

To the Board of Education  
Southfield Public Schools

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Southfield Public Schools as of and for the year ended June 30, 2007, which collectively comprise Southfield Public Schools basic financial statements, and have issued our report thereon dated October 31, 2007. Those basic financial statements are the responsibility of the management of Southfield Public Schools. Our responsibility was to express opinions on those basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements that collectively comprise Southfield Public Schools' basic financial statements. The accompanying schedule of expenditures of federal awards and the reconciliation of basic financial statements federal revenue with schedule of expenditures of federal awards are presented for the purpose of additional analysis and are not required parts of the basic financial statements. The information in these schedules has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Plante & Moran, PLLC*

October 31, 2007

Report on Internal Control Over Financial Reporting and on Compliance  
and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with *Government Auditing Standards*

To the Board of Education  
Southfield Public Schools

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Southfield Public Schools as of and for the year ended June 30, 2007, which collectively comprise Southfield Public Schools' basic financial statements, and have issued our report thereon dated October 31, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Southfield Public Schools' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Southfield Public Schools' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Southfield Public Schools' internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the control deficiency described in the accompanying schedule of findings and questioned costs as item 07-1 to be a significant deficiency in internal control over financial reporting.



To the Board of Education  
Southfield Public Schools

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe the significant deficiency described above is not a material weakness.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Southfield Public Schools' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. We noted certain matters that we reported to the management of Southfield Public Schools in a separate letter dated October 31, 2007.

Southfield Public Schools' response to the significant deficiency identified in our audit and described in the accompanying schedule of findings and questioned costs has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board of Education, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Plante & Moran, PLLC*

October 31, 2007



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Report on Compliance with Requirements Applicable to  
Each Major Program and on Internal Control  
Over Compliance in Accordance with OMB Circular A-133

To the Board of Education  
Southfield Public Schools

**Compliance**

We have audited the compliance of Southfield Public Schools with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2007. The major federal programs of Southfield Public Schools are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Southfield Public Schools' management. Our responsibility is to express an opinion on Southfield Public Schools' compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Southfield Public Schools' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Southfield Public Schools' compliance with those requirements.

In our opinion, Southfield Public Schools complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007.

To the Board of Education  
Southfield Public Schools

### **Internal Control Over Compliance**

The management of Southfield Public Schools is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Southfield Public Schools' internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control over compliance.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement for a major program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a major federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement for a major program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that noncompliance that is material to a type of compliance requirement for a major program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance and its operation that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Board of Education, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Plante & Moran, PLLC*

October 31, 2007

# Southfield Public Schools

Program Title/Project Number/Subrecipient Name	CFDA Number	Approved Awards Amount
<b>Clusters:</b>		
Child Nutrition Cluster - U.S. Department of Agriculture - Passed through the Michigan Department of Education:		
National School Breakfast Program - 2006-2007	10.553	\$ 197,333
National School Lunch Program - Section 4 2005-2006	10.555	134,310
National School Lunch Program - Section 4 2006-2007		166,160
National School Lunch Program - Section 11 2006-2007		<u>953,158</u>
Total National School Lunch Program		<u>1,253,628</u>
Total Child Nutrition Cluster		1,450,961
Special Education Cluster - U.S. Department of Education - Passed through the Oakland County ISD:		
IDEA:	84.027	
Project number 040450		1,404,342
Project number 050450		1,602,655
Project number 060450		1,595,076
Project number 070450		<u>1,721,376</u>
Total IDEA		6,323,449
Preschool Incentive:	84.173	
Project number 050460		49,690
Project number 060460		44,306
Project number 070460		<u>53,480</u>
Total Preschool Incentive		<u>97,786</u>
Total Special Education Cluster		6,421,235
Medicaid Cluster - U.S. Department of Health and Human Services - Passed through the Oakland County ISD - Medicaid Transportation - 2005-2006	93.778	

**Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2007**

(Memo Only) Prior Year Expenditures	Accrued Revenue at July 1, 2006	Adjustments and Transfers	Federal Funds/ Payments In-kind Received	Expenditures	Accrued Revenue at June 30, 2007
	\$ -	\$ -	\$ 187,474	\$ 197,333	\$ 9,859
138,131	4,001	(4,001)	-	-	-
-	-	-	143,289	149,545	6,256
-	-	-	822,720	858,576	35,856
138,131	4,001	(4,001)	966,009	1,008,121	42,112
138,131	4,001	(4,001)	1,153,483	1,205,454	51,971
-	(5,544)	5,544	-	-	-
474,523	474,523	-	474,523	-	-
1,244,921	548,453	-	898,608	350,155	-
-	-	-	775,592	1,420,611	645,019
1,719,444	1,017,432	5,544	2,148,723	1,770,766	645,019
4,155	3,894	-	3,894	-	-
36,243	16,069	-	24,132	8,063	-
-	-	-	53,480	53,480	-
40,398	19,963	-	81,506	61,543	-
1,759,842	1,037,395	5,544	2,230,229	1,832,309	645,019
6,193	(15,735)	15,735	-	-	-

# Southfield Public Schools

Program Title/Project Number/Subrecipient Name	CFDA Number	Approved Awards Amount
Other federal awards:		
Direct programs - U.S. Department of Health and Human Services - Head Start Grant:	93.600	
Project number 05CH5144/22		\$ 1,264,362
Project number 05CH5144/23		1,335,693
Total Head Start Grant		2,600,055
U.S. Department of Health and Human Services - Passed through the Michigan Community Service Commission - Learn and Serve - Project number MCSC/SBLS/F-121/06	94.004	24,500
U.S. Department of Education:		
Passed through the Michigan Department of Education:		
Title I:	84.010	
Project number 051550-0506		75,000
Project number 051530-0506		190,300
Project number 061530-0506		1,134,182
Project number 061530-0607		170,127
Project number 061530-0607		1,243,575
Total Title I		2,813,184
Title II Part A:	84.367	
Project number 050520-0506		265,824
Project number 060520-0506		405,912
Project number 060520-0607		39,782
Project number 070520-0607		407,879
Total Title II Part A		1,119,397
Title II Part D:	84.318	
Project number 054290-0506		6,976
Project number 064290-0506		21,032
Project number 064290-0607		10,890
Project number 074290-0607		12,765
Total Title II Part D		51,663

**Schedule of Expenditures of Federal Awards (Continued)**  
**Year Ended June 30, 2007**

(Memo Only) Prior Year Expenditures	Accrued Revenue at July 1, 2006	Adjustments and Transfers	Federal Funds/ Payments In-kind Received	Expenditures	Accrued Revenue at June 30, 2007
\$ 1,245,920	\$ 414,958	\$ -	\$ 414,958	\$ -	\$ -
-	-	-	939,615	1,335,693	396,078
1,245,920	414,958	-	1,354,573	1,335,693	396,078
24,354	14,850	-	14,850	-	-
41,462	41,462	-	74,394	29,594	(3,338)
113,065	113,065	-	113,065	-	-
698,431	698,431	-	960,190	261,759	-
-	-	-	-	170,127	170,127
-	-	-	-	904,045	904,045
852,958	852,958	-	1,147,649	1,365,525	1,070,834
177,040	177,040	-	177,040	-	-
-	-	257,299	366,130	108,831	-
-	-	-	-	39,782	39,782
-	-	-	-	267,299	267,299
177,040	177,040	257,299	543,170	415,912	307,081
6,573	6,573	-	6,573	-	-
5,335	-	-	4,807	4,807	-
-	-	-	-	6,163	6,163
-	-	-	-	1,394	1,394
11,908	6,573	-	11,380	12,364	7,557

# Southfield Public Schools

Program Title/Project Number/Subrecipient Name	CFDA Number	Approved Awards Amount
Other federal awards (Continued):		
U.S. Department of Education (Continued):		
Passed through the Michigan Department of Education (Continued):		
Title III - Project number 060580-0203:	84.365	
Project number 050580-0506		\$ 22,407
Project number 060580-0506		60,163
Project number 060580-0607		60,163
Project number 070580-0607		42,725
Total Title III		185,458
Title V:	84.298	
Project number 050250-0506		6,229
Project number 060250-0607		4,060
Project number 070250-0506		2,022
Total Title VI		12,311
Safe and Drug-free Schools		
Project number 052860-0506	84.186	55,000
Project number 062860-0607		55,317
Project number 072860-0607		40,490
Total Safe and Drug-free Schools		150,807
Hurricane Katrina Relief	84.938	85,351
Total passed through the Michigan Department of Education		4,418,171
Passed through the Oakland County ISD - Perkins Grant:	84.048A	
Project number 061218		86,641
Project number 071218		90,161
Total Perkins Grant		176,802
Total U.S. Department of Education		4,594,973



**Schedule of Expenditures of Federal Awards (Continued)**  
**Year Ended June 30, 2007**

(Memo Only) Prior Year Expenditures	Accrued Revenue at July 1, 2006	Adjustments and Transfers	Federal Funds/ Payments In-kind Received	Expenditures	Accrued Revenue at June 30, 2007
\$ 2,525	\$ 2,525	\$ -	\$ 2,525	\$ -	\$ -
-	-	23,000	23,470	470	-
-	-	-	-	14,565	14,565
-	-	-	-	4,355	4,355
2,525	2,525	23,000	25,995	19,390	18,920
-	4,967	-	4,967	-	-
-	-	-	-	3,371	3,371
-	-	-	-	-	-
-	4,967	-	4,967	3,371	3,371
39,588	39,588	-	39,588	-	-
-	-	-	9,931	36,806	26,875
-	-	-	-	24,313	24,313
39,588	39,588	-	49,519	61,119	51,188
-	-	85,351	85,351	-	-
1,084,019	1,083,651	365,650	1,868,031	1,877,681	1,458,951
80,705	74,665	-	74,665	-	-
-	-	-	62,327	89,287	26,960
80,705	74,665	-	136,992	89,287	26,960
1,164,724	1,158,316	365,650	2,005,023	1,966,968	1,485,911

## Southfield Public Schools

Program Title/Project Number/Subrecipient Name	CFDA Number	Approved Awards Amount
Other federal awards (Continued):		
U.S. Department of Agriculture - Passed through the Michigan Department of Education:		
Food Distribution:	10.550	
Entitlement Commodities		\$ 128,040
Bonus Commodities		<u>563</u>
Total Food Distribution		128,603
Child Care Food Program:	10.558	
Project number 052010		2,248
Project number 061920		45,291
Project number 062010		3,027
Project number 071920		45,852
Project number 072010		<u>2,839</u>
Total Child Care Food Program		<u>99,257</u>
Total U.S. Department of Agriculture		<u>227,860</u>
Total federal awards		<u><u>\$ 15,319,584</u></u>

**Schedule of Expenditures of Federal Awards (Continued)**  
**Year Ended June 30, 2007**

(Memo Only) Prior Year Expenditures	Accrued Revenue at July 1, 2006	Adjustments and Transfers	Federal Funds/ Payments In-kind Received	Expenditures	Accrued Revenue at June 30, 2007
\$ -	\$ -	\$ -	\$ 118,364	\$ 118,364	\$ -
-	-	-	563	563	-
-	-	-	118,927	118,927	-
726	726	(726)	-	-	-
-	2,554	-	5,128	2,574	-
-	-	-	333	333	-
-	-	-	42,645	45,852	3,207
-	-	-	2,598	2,839	241
726	3,280	(726)	50,704	51,598	3,448
726	3,280	(726)	169,631	170,525	3,448
<u>\$ 4,339,890</u>	<u>\$ 2,617,065</u>	<u>\$ 382,202</u>	<u>\$ 6,927,789</u>	<u>\$ 6,510,949</u>	<u>\$ 2,582,427</u>

## **Southfield Public Schools**

### **Reconciliation of Basic Financial Statements Federal Revenue with Schedule of Expenditures of Federal Awards Year Ended June 30, 2007**

Revenue from federal sources - As reported on financial statements (includes all funds)	\$ 6,602,948
Plus federal revenue reported as state revenue	20,938
Adjustments and transfers amount on current year schedule of expenditures of expenditures of federal awards	(382,202)
Revenue deferred in current year for financial statement purposes as not meeting the available criteria of GASB No. 33	396,078
Revenue deferred in prior year for financial statement purposes as not meeting the available criteria of GASB No. 33	<u>(126,813)</u>
Federal expenditures per the schedule of expenditures of federal awards	<u><u>\$ 6,510,949</u></u>

# Southfield Public Schools

## Notes to Schedule of Expenditures of Federal Awards Year Ended June 30, 2007

### Note 1 - Significant Accounting Policies

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Southfield Public Schools and is presented on the same basis of accounting as the basic financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

### Note 2 - Noncash Assistance

The value of the noncash assistance received was determined in accordance with the provisions of OMB Circular A-133.

### Note 3 - Grant Section Auditor's Report

Management has utilized Form R-7120 and the Cash Management System (CMS) grant auditor report in preparing the schedule of expenditures of federal awards. Unreconciled differences, if any, have been disclosed to the auditor.

### Note 4 - Adjustments and Transfers

Adjustments resulted from changes to prior year award amounts during the year ended June 30, 2007 as follows:

Federal Program Title	CFDA Number	Description	Amount
National School Lunch Program	10.555	Adjustment of prior year receivable amount	\$ (4,001)
IDEA	84.027	Adjustment of prior year deferred amount	5,544
Medicaid Transportation	93.778	Adjustment of prior year expenditure amount	15,735
Title II Part A	84.367	Adjustment of prior year expenditure amount	257,299
Title III	84.365	Adjustment of prior year expenditure amount	23,000
Hurricane Katrina Relief	84.938	Adjustment of prior year expenditure amount	85,351
Child Care Food Program	10.558	Adjustment of prior year receivable amount	(726)
Total			<u>\$ 382,202</u>

# Southfield Public Schools

## Schedule of Findings and Questioned Costs Year Ended June 30, 2007

### Section I - Summary of Auditor's Results

#### Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? ☐ Yes ☒ No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? ☒ Yes ☐ None reported

Noncompliance material to financial statements noted? ☐ Yes ☒ No

#### Federal Awards

Internal control over major program(s):

- Material weakness(es) identified? ☐ Yes ☒ No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? ☐ Yes ☒ None reported

Type of auditor's report issued on compliance for major program(s): Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? ☐ Yes ☒ No

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
84.367	Title II, Part A
34.010	Title I

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? ☒ Yes ☐ No

## **Southfield Public Schools**

### **Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2007**

#### **Section II - Financial Statement Audit Findings**

<b>Reference Number</b>	<b>Findings</b>
07-1	<p><b>Finding Type</b> - Significant deficiency</p> <p><b>Criteria</b> - In order to maintain adequate internal control, timely bank reconciliations should be prepared. The bank reconciliations should then be reviewed for accuracy and completeness by a second individual. Also, to maintain adequate internal control, all manual journal entries should be reviewed for accuracy and completeness by a second individual.</p> <p><b>Condition</b> - Southfield Public Schools did not prepare timely bank reconciliations for the year ended June 30, 2007. The bank reconciliations for this period were subsequently prepared by Southfield Public Schools but not reviewed by a proper individual. Southfield Public Schools also did not perform adequate review procedures for manual journal entries.</p> <p><b>Effect</b> - Preparation of bank reconciliations on a timely basis and review of journal entries allows employees or management to detect or prevent misstatements on a timely basis.</p> <p><b>Recommendation</b> - Timely bank reconciliations should be prepared and reviewed on a timely basis. All manual journal entries should also be reviewed.</p> <p><b>Views of Responsible Officials and Planned Corrective Actions</b> - Southfield Public Schools agrees with the above recommendations and is planning to implement procedures to ensure the timely completion and review of bank reconciliations as well as the review of all manual journal entries.</p>

#### **Section III - Federal Program Audit Findings**

None

October 31, 2007

Board of Education  
Southfield Schools  
24661 Lahser Road  
Southfield, MI 48033

Dear Board Members:

We recently completed our audit of the financial statements for Southfield Schools for the year ended June 30, 2007. In this letter, we would like to offer comments and recommendations for your consideration and to discuss some current issues that may be of interest to the Board.

#### **ASBO CERTIFICATE OF EXCELLENCE**

We are pleased that the District has again been awarded the ASBO Certificate of Excellence for the fiscal year ended June 30, 2006. Southfield Public Schools has been honored with this award for more than twenty consecutive years. This award certifies that a school system has presented its comprehensive annual financial report to a panel of review for critical examination and evaluation, and that the report was judged to have met or exceeded the standards established by the Association of School Business Officials. It is our understanding that the District plans to submit the 2006-2007 report for consideration of the Certificate of Excellence Award. We commend the administration for their efforts in reporting accurate and meaningful financial information.

#### **FUND BALANCE**

During the 2006-2007 fiscal year, Southfield Public Schools' General Fund expenditures and other uses exceeded revenues and other financing sources by approximately \$5,500,000. While this excess of expenditures over revenue was planned, it did result in decreasing the General Fund fund balance to approximately \$12,855,000 at June 30, 2007. Fund balance has become increasingly important due to such factors as little or no growth in state funding over the last few years, the potential for State Aid proration, funding caps imposed by school finance reform, increasing retirement and healthcare costs, cash flow needs due to the elongation of state aid payments as well as concerns over the financial health of the school aid fund for 2007-2008.

We understand that the School District administration has been closely monitoring this situation. While many of the financial challenges facing school districts are the result of factors outside of the local districts' control, these challenges must never-the-less be addressed at the local level. The District must be ready to make choices about how such challenges will impact District programs.



## **STATE AID ISSUES**

### **2006-2007**

- The 2006-2007 State Aid Act as originally enacted called for a \$210 increase in the per pupil foundation allowance. However, from almost the moment the Governor signed the 2006 State Aid Act into law it was unclear if school districts would receive the increased revenue that was promised. In January 2007 the Revenue Estimating Conference predicted that the School Aid Fund would actually be "short" \$224 per pupil. Since that date the Governor and legislature worked on funding alternatives to prevent the projected School Aid deficit from becoming a reality. In June 2007, as the District's fiscal year was ending, the Governor and legislature came to an agreement on several measures. The result of the measures resulted in Districts receiving the \$210 per pupil increase originally promised. This was accomplished primarily by securitizing future tobacco settlement proceeds and through a restructuring of the elements used in computing districts MPSERS retirement contribution rate. The MPSERS restructuring resulted in a "credit" to the District for the difference between the amounts paid in by the District to MPSERS and the actual cost within the retirement system based on the new computations.

### **2007-2008**

- In late October 2007, a 2007-2008 State Aid Act was finally passed. This means that for the first four months of its fiscal year, the District did not have a firm revenue stream for which to budget against. The State Aid Act enacted calls for a \$48 per pupil increase in Southfield Public Schools foundation allowance. However, this increase will be partially offset by the elimination of the State middle school math funding program. With the late passage of the State Aid Act, the October State Aid payment will be based on the District's 2006-2007 foundation allowance. The foundation allowance increase will then be reflected on the November State Aid payment.

### **Future MPSERS Contribution Rate**

- The legislation discussed above restructured the elements used in computing the MPSERS retirement rate, creating a lower cost to the retirement system. As part of the State's overall plan to deal with the State's budget shortfall, the MPSERS plan elected to suspend the normal "5 year smoothing" method as of October 1, 2006 and instead recognize all the previously unaccounted for gains in the plan as of that date. This one time fix holds MPSERS contribution rates below their normal levels for 2 years (for the plan years ending September 30, 2007 and September 30, 2008). However, without significant changes to the retirement system, there is concern that MPSERS contribution rates will jump back to a much higher level after September 30, 2008.

## RECEIPTS OUTSIDE THE CENTRAL OFFICE

Southfield Public Schools receives a considerable amount of revenue (much of it cash) at remote locations. This includes latchkey funds received at the schools, student activities, lunch receipts, athletic event gate receipts and building rentals.

For the past several years, we have strongly recommended that the internal controls at remote locations be reviewed and strengthened. To further improve internal controls and accountability in this area, we recommend that, at a minimum:

- The business office perform unannounced reviews of the various locations to verify that the internal control procedures are in operation
- The business office develop an accounting manual for use by the individuals involved in these activities
- The business office provide in-service training to the individuals involved in these activities
- The business office periodically confirm balances with various student groups directly rather than with the individual(s) responsible for reporting the information to the business office

We believe that the improvement of the internal controls at remote locations needs to be addressed as soon as possible. We would be happy to assist with this project if so desired.

## INTERNAL CONTROL OBSERVATIONS

During our audit process, we attempt to identify opportunities for the District to revise or update its system of internal controls. The primary goal of internal control is to provide reasonable (as opposed to an absolute) protection to the District and its assets and financial information. We appreciate the District has limited resources and must look to maximize the benefits from the resources it utilizes.

In addition to the comments and recommendations in this letter, our observations and comments regarding Southfield Public Schools internal controls, including any significant deficiencies that we identified, have been reported to you in the accompanying Report on Internal Control Over Financial Reporting and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*. This report is included in the supplementary Schedule of Federal Financial Assistance (the single audit report), and we recommend that the matters we have noted there receive your careful consideration.

In addition, we offer the following for consideration as the District continues to improve its operations:

**Business Office Staffing Level** – The responsibilities for monitoring the financial activity of the District have increased each year, particularly with the funding challenges districts are facing based on the State's economy. In many instances, the staffing for the business office may have declined while the need for internal control as well as the need for a focus on cash flow monitoring, budgeting and increased reporting requirements at both the state and federal levels has increased. We recommend the District review its staffing levels to ensure the business office is adequately staffed to provide operational effectiveness and improved reporting and analysis capabilities.

**Equipment Management** – School Districts own significant amounts of equipment, including audio/visual equipment, computer equipment, maintenance equipment, etc. We recommend that the District review its controls over the management of equipment to insure District assets are properly safeguarded and to aid in making purchasing decisions.

#### **BOND FUND AUDIT REQUIREMENTS**

The Michigan Department of Treasury Bulletin for School District Audits of Bonded Construction Funds and Sinking Funds in Michigan (The Audit Guide) was revised in 2001 and was effective for all applicable construction fund or sinking fund audits issued for school districts after January 1, 1998.

This separate audit includes:

- Use of generally accepted auditing standards and generally accepted auditing standards to account for and audit each fund
- Review of investments for allowability
- Review of expenditures for allowability
- Use of competitive bidding
- For a bond series, an audit is required for each series
- "Closeout Audit" triggered by certification of substantial completion (AIA – G704)
- "Closeout Audit" must be completed within 120 days of issuance of AIA-G704

The Michigan Department of Treasury allows several alternatives for reporting the audit results. Your District's financial statements include the required annual financial statement disclosures. We will work with the District and the Department of Treasury to issue the applicable "closeout" report when the project is complete. As this "closeout" audit is required to be performed within 120 days of the project receiving the last Certificate of Substantial Completion, it is critical that the District notify us as soon as the Certificate of Substantial Completion has been issued.

#### **UNIFORM BUDGETING & ACCOUNTING ACT**

Last year, the Michigan Department of Education ("MDE") announced a program to monitor District compliance with the Uniform Budgeting and Accounting Act. The Department began

by reviewing the June 30, 2005 annual audited financial statements and identifying any district or public school academy whose total expenditures exceed their budget by more than 1%. In addition, the same test will be applied to other financing sources (uses). Beginning with the June 30, 2006 annual audited financial statements, MDE will also consider certain revenue shortfalls as being a violation. For a revenue shortfall to be a violation it has to represent a variance greater than 1% of the total budgeted revenue and the District's fund balance must have been depleted beyond what had been approved by the Board of Education.

Violations result in a letter being sent to the district. If an adequate response is not received back from the district, MDE will refer the district to the Attorney General's office for possible further action. If your district receives a violation notice from MDE, you will have two weeks to provide MDE with information regarding the districts' procedures to detect and prevent violations of the act. MDE will then decide, based on your response, on the appropriateness of referring the violation to the Attorney General's office for further consideration.

For the year ended June 30, 2007, the Southfield Community Schools again appears to be in compliance with the various provisions of the Uniform Budgeting & Accounting Act. We commend the Board and administration for continuing its diligence in monitoring the policies and procedures in this area.

#### **DEFERRED COMPENSATION ISSUE**

In 2004 the IRS issued new deferred compensation regulations. One of the possible unintended consequences of these new regulations is an impact on the taxability of teachers electing the 26 pay option. In order to allow districts some time to adjust to these new rules, the IRS recently issued IR-2007-142 which states the new deferred compensation rules will not be applied to annualization elections for school years beginning before January 1, 2008. So any possible impact will not affect Southfield Public Schools until the year beginning July 1, 2008.

While there will be much discussion of this issue in the coming months, the conservative approach to avoiding any problems appears (at this time) to be to make certain all 26 pay elections are signed before any service is rendered and allow no changes during the election year. We will have more information on this subject as the year progresses but, for now, you should be thinking about a method that insures all elections are in place BEFORE the teachers return in the fall of 2008.

#### **NEW RISK ASSESSMENT STANDARDS FOR JUNE 30, 2008**

There will be eight more new standards that will be in effect for the June 30, 2008 audit. These standards will require a deeper look into internal control and accounting procedures. They will also require more upfront assistance from the business office. We will be working with the business office between now and the June 30, 2008 audit to prepare for implementation. To summarize, the new standards primarily require the following:

- A deeper understanding by the auditor of the audited entity and its internal control for purposes of identifying the risk of material misstatement in the financial statements, as well as what the entity is doing to mitigate those risks
- A more rigorous assessment of the risks of material misstatement based on the understanding of internal controls, with additional emphasis on significant risks that call for special audit consideration
- A better linkage between the assessed risks and the audit procedures performed, including tests of controls and substantive tests in response to those risks
- An enhancement in the communications that should take place between an auditor and those charged with governance, including both an organization's board of directors and audit/finance committee

Our expectation is that this will result in a more rigorous audit planning and internal control assessment and documentation process. Plante & Moran is currently making a significant investment in structuring our audit process to comply with these standards to enhance the audit process and best serve the School District, while trying to minimize the impact these additional standards may have on the School District.

#### **Statement on Auditing Standards 114 - Communication with Those Charged With Governance**

The AICPA issued Statements on Auditing Standard (SAS) No. 114, which will increase the amount of information provided to the Board of Education, superintendent, and others charged with governance about the audit process and results. This standard, effective for the June 30, 2008 audit, will provide information describing what an audit is, emphasizing management's role in the financial statement reporting process, identifying issues encountered during the audit, and clarifying what must be communicated in writing. This required communication will be in addition to the financial statements, management letter, and single audit report already received by the School District.

#### **Government Auditing Standards (2007 Revision)**

The Government Accountability Office (GAO) has finalized its revisions to Government Auditing Standards (the Yellow Book). These revisions were issued in January 2007. All school districts in Michigan are required to be audited under Yellow Book requirements in addition to the audit standards issued by the Auditing Standards Board. Most of these Yellow Book changes will be effective for the June 30, 2009 school district audits. However, the Yellow Book does incorporate the SASs issued by the AICPA and those requirements will be effective based on the effective date of the SAS. The changes unique to the Yellow Book are substantive and will impact audit approach, audit documentation, and audit reporting. Some likely impacts from the changes include:

- Clarified ethics and competency considerations when audit services are performed
- Increased use of "emphasis of matter" comments in the auditor's opinion when unique financial statement matters impact the financial statements

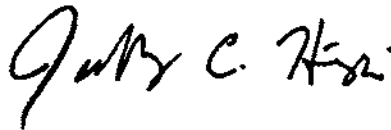
- Increased evaluation of compliance with auditor independence requirements
- Increased expectation of governments to maintain and prepare their financial information for audit

These changes, along with the other changes in the auditing standards, continue to increase the level of audit effort required by the auditor and the amount of information provided to the School District. We will work closely with the School District to simplify and clarify changes as they continue to become effective.

We wish to thank the Board for the opportunity to serve as auditors for the District and to thank Mr. Mark Rajter, Ms. Debbie Tremp, Ms. Joanne Pawenski and the rest of the business office staff for the courtesy and cooperation extended to us during the course of our examination. If we can be of any further assistance, please feel free to contact us.

Very truly yours,

**PLANTE & MORAN, PLLC**

A handwritten signature in black ink, appearing to read "Jeffrey C. Higgins". The signature is written in a cursive, flowing style.

Jeffrey C. Higgins

SOUTHFIELD PUBLIC SCHOOLS  
Corrective Action Plan  
Federal Program Audit Findings  
For the year ended 6/30/07

**Reference Number 2007-01**

Responsible for correction:

Director of Budget & Finance  
Accounting Manager  
Associate Superintendent for Administrative Services

Action planned:

Bank reconciliations will be completed monthly by the Accounting Manager. The Director of Budget & Finance will review and approve all bank reconciliations by the end of the following month.

To maintain adequate internal controls, all manual journal entries will be completed by the Accounting Manager and reviewed by the Director of Budget & Finance. In the absence of the Director of Budget & Finance, the Assistant Superintendent for Administrative Services will review and approve bank reconciliations and review the Accounting Manager's manual journal entries.

Anticipated Completion Date:

This corrective action will be effective for bank reconciliations and journal entries prepared after July 1, 2007.